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President and Prime Minister

DURING the visit of the Prime Minister to the United States last month India and America wrote a new chapter in the chequered history of their relations over the past nine years. The meeting was one between the head of the world's strongest military, economic and political State and an Asian leader who guides the destiny of a potentially major power with a legacy of moral authority. The outcome of the meeting, yet unspecified, can best be declared in the Prime Minister's own words. Addressing on his return anxious pressmen in Bombay he said that he found a great deal of common ground "in our approach and outlook on many things". In this sub- normal summary of a momentous meeting, one might hope that the seeds of history are carefully concealed.

There have existed between the two countries friendly and cordial relations before India became independent. Indians as the Prime Minister said more than once will always remember that in the struggle for freedom they received from the U.S. the fullest measure of sympathy and support. But since Independence, more especially since the Korean War, the policies of these two biggest democracies seemed to run, from time to time, at cross purposes. It, however, was largely due to their different methods of achieving world peace. The U.S. believing in the efficacy of balance of power,

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tried to build up coalitions of States bound together by military alliances, as a deterrent to aggressive Communism. India, on the other hand, considered a military balance of power, and a multiplication of military alliances dangerous. Its policy was the conference table and Panch Shila. Not Arms but the Man.

Not that India had a liking for Communism. It was the first Asian country to establish democratic institutions and rule of law and reject the idea of totalitarian planning. It was critical of military alliances because it believed, among other things, that the nature of warfare in the atomic age had made military alliances anachronistic: no power, howsoever heavily armed, was likely to do anything to provoke a world war. Atomic war would mean the annihilation of the aggressor and the victim alike; indeed of mankind itself. Also, in India's view military alliances defeated their own purpose. Such alliances only provoked an armament race, which led often to panic and a feverish search for security and inevitably to the extension of the cold war. As Mr. Nehru once remarked, a cold war is only better than a hot one; but it is no substitute for peace.

The Indian argument on military alliances is not, in *The Eastern Economist*'s view, wholly sound. But it is growing sounder as time goes on. The chain of mutual distrust and uncertainty these pacts create prevents the development of the freedom from fear which the small and the backward nations need for their advancement. In fact they may create more problems than they solve. Because of this, India has always held that disarmament and the sense of security resulting therefrom represent an effective way of preserving peace. But, of course, how can one disarm unilaterally without creating more insecurity?

These differences, how encouraging it is to note, only concealed the fact that both the U.S. and India were actually working for the same end: world peace, democracy, and the right of self-determination of nations. This fundamental identity of aim was lost in their different approaches. The apparent disagreement was exaggerated as much by interested parties, Communists mainly, as by the suspicion that each entertained about the other. While many Americans suspected that India was pro-Communist and was aiding Russian interests as against America's, many Indians suspected that the U.S. was tending to become aggressive, and that it gave support to the colonial powers.

The two tragedies in Egypt and Hungary in recent months brought the basic similarities between India and America to the surface and drew Delhi and Washington closer. The Prime Minister has acknowledged how the United States has added to her prestige by upholding worthily the principles of the U.N. Charter, in its bold stand on aggression by Britain and France, its own allies. But for America's determined attitude it is doubtful if the U.N. could have brought about the withdrawal of the aggressor forces. The U.S. foreign policy was revealed by the Egyptian tragedy to be more or less in harmony with Bandung Asianism. It did not fail to impress India and other Asian countries, and gave them assurance that Washington accepted the idea of a world community in which even the smallest and weakest States would enjoy their sovereign rights. It also convinced the Asians that America's military alliances were not weapons of imperialist aggression and aggrandizement, but merely defensive arrangements.

The Soviet Union's aggression in Hungary and its refusal to obey U.N. decisions provided, on the other hand, a glaring contrast. It uncovered for the Asian peoples the real nature of the Soviet State. In the psychological climate that the two grim events produced the prestige of the United States has improved considerably as a recent poll of the Indian Institute of Public Opinion conducted in Calcutta and Delhi has shown. India's unequivocal condemnation of the Russian aggression belied, in turn, American suspicions that Nehru's India was assisting Communism. To match this there has been a marked decline in American suspicion of Indian neutralism. From his discussions with the President, Mr. Nehru said, he had gathered the impression that the U.S. had a "flexible policy towards neutralist nations" and was adapting itself to circumstances in a changing world. He further observed that there was "more understanding and appreciation" of India's non-alignment policy: "I have found there is so much in common, even though we are separated by half the world. It was gross exaggeration for anyone to declare that great or vital differences exist between the U.S. and India".

It may be observed that the Nehru-Eisenhower meeting coincided with a new basis of co-operation within the United Nations. All that transpired between the two is secret; not even the traditional enterprise of American journalists has so far produced an authentic-sounding leak of the conversations. We may well have to wait for great memoirs to find out what actually transpired. The communique issued after their meeting acknowledged that there had been full and frank talks over a wide range of subjects of "common interest and concern" to both India and the U.S. which have confirmed "the broad areas of agreement between the two countries". Though the frontiers of this area have been left undefined, the accent is unmistakably on accord. That in itself is significant. It is the general belief here that, despite lack of any agreements, commitments, promises and pacts between the two countries, a new era has dawned in Indo-American relations after the quiet, informal, exploratory, and extensive talks between President Eisenhower and Prime Minister Nehru. All available evidence also points to the fact that the two leaders have established close personal relationship and have, as a result, come to accept the other as a force for peace. The very fact that they have begun to appreciate each other's bona fides and devotion to peace is a major gain for the whole world. The new relationship is sure to mark a turning point in modern history.

Political observers in the Indian capital feel that in future Washington will consult New Delhi more frequently now on important matters of common interest. For some time to come one of the world's most significant diplomatic activities may be exchange of private messages between President Eisenhower and Prime Minister Nehru as both believe in "personal diplomacy". The possibilities of the New Delhi-Washington entente are doubtless immense; but it would be foolish to expect a harvest too soon. The result of these developments will be reflected only in the events to come. But one thing is certain: now that the forces of peace, with the Indo-American ties reforged, are stronger than ever before, the world can face the future with more hope and confidence. The New Year begins on a happy note; a meeting ground between East and West has been found.

JL.

The Congress Platform

THE principal political parties in the country are bracing themselves for the coming battle of the ballot-box, and their respective platforms are just revealed to the public. The Congress Party's draft manifesto, awaiting formal approval at Indore, is easily the best of them all in the sense that it bears the impress of the ruling party's mature experience and sense of responsibility. While it makes no extravagant promises for the immediate future, neither does it make any secret of its intention to take the country, by democratic stages, to the promised goal of a "full socialist order of society". The ultimate goal of full socialism may or may not be reached, but so long as the Congress is wedded to democracy, Nehruvian socialism is bound to be gradual and evolutionary in its course and without the uglier manifestations of class conflict. Be that as it may, what is currently important is that the Congress takes its stand largely on the second Five-Year Plan which is already well begun. It is on that basis that that party "seeks again a renewal from the people of India of that faith and confidence which they have given it in such abundant measure in the past". Which also appears to convey that if the Plan is to be successfully implemented, there should be no change of horses in mid-stream.

To go from the general to the particular. The manifesto rightly emphasises that the second Plan is a flexible one and that it will have to be adjusted from time to time as the resources of the country permit. Realism may well ordain that the Five-Year Plan should become a Six-Year or Seven-Year Plan, and this is implicit in the statement. Similarly the experience of East European countries has persuaded the Congress leaders to believe more strongly than ever that head-long industrialisation to the neglect of agriculture would throw the body-economic out of balance. An equilibrium sense is thus in evidence where the manifesto underlines the need for a proper balance between industry and agriculture and between heavy, light and small-scale industries. And a balancing sense is in evidence where the document emphasises that centralisation which is 'inevitable in modern life' has to be counter-balanced by decentralisation 'in so far as this is possible'. What is still more, a human approach is in evidence where the manifesto states that higher techniques of production are to be encouraged in industry and in agriculture in such a way that they would not involve unemployment. The balancing or reconciling of conflicting factors and interests is by no means an easy task, however desirable it may be. There is no gainsaying that the Congress is a fit national-political instrument —perhaps the fittest in India today—to attempt it. Success in this direction may not be entirely in man's hands. However, such an honest attempt may at least invite the operation of that higher moral law which slowly but surely impinges itself on the minds of rulers.

For its part the private sector—which is as much national as the public sector—may have some just cause for anxiety on the score of a few planks in the Congress platform. The manifesto states that "it is not intended to nationalise the existing private industries except where such nationalisation is considered necessary in terms of planning or where they occupy a strategic position in the economy of the country". The nationalisation of the Imperial Bank and of life insurance is also welcomed on the ground that "this is another step towards a socialist pattern and it gives a greater measure of strategic control for planning and other purposes of the State". At the same time the assurance is given that "private industry will be encouraged, but always in the context of the Plan". Private industry does not object to operating 'in the context of the Plan' if the resources pool from which both the public and the private sectors have to draw is adequate for the purposes of both the sectors. Where it is not so adequate will the State lay its hands on banking in general and on some other industries for the purpose of getting non-tax revenues with which the public-sector projects could be partly financed? Will the words "a greater measure of strategic control for planning and other purposes of the State" be stretched or interpreted to mean that the success of the public-sector part of the Plan is more important than its private-sector part? The element of uncertainty is thus still there despite the assurance. Or, perhaps, the assurance itself may only be a conditional one. It would be unfortunate if private industry's anxiety were to be attributed to sectional self-interest for it is now increasingly recognised that the welfare goals of socialism can be achieved without increasing public ownership. It is also noteworthy that "the *identification* of socialism with nationalisation, or with planning, is rejected firmly and without compunction" in current Western Socialist thought. "The idea of the public sector as a continuing series of state-owned monopolies to be increased in number.....until the whole economy has been nationalised, is as dead as a dodo".

Two more planks in the Congress platform—namely, egalitarian taxation and workers' participation in the management of industry—are also of concern to private industry. The proposal to reconstruct the tax-structure with the twin object of spreading out the tax-burden in such a way as to make it fall chiefly on those in a better position to bear it and of reducing disparities in income and wealth is, no doubt, in line with the current socialist thought in the well-developed economies of the West. Whether it can wholly apply to an under-developed economy is the question. Here what is relevant to consider is not whether a few rich individuals can bear a heavier burden, but whether private industry as a whole can bear a heavier burden without detriment to its resources for further development. As for workers' participation in the management of industry, it can only be a long-term goal and need not be taken seriously at the moment. But in so far as this line of thought derives from the jettisoning of the 'class struggle' concept and conjures up visions of workers' co-operation in industry, it merits objective consideration and not outright condemnation. The wisest thing to do in this connection would be to leave it to the workers and managements themselves to take to it *voluntarily* as the TISCO is now doing experimentally. As the Congress manifesto firmly states that co-operation in agriculture should be essentially *voluntary*, there is no reason why the contemplated industrial democracy should not also be an equally voluntary process.

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THE WEEK'S NOTES

ECONOMIC GROWTH AND INCENTIVES

IN HIS presidential address to the annual conference of the Indian Economic Association, Dr. S. K. Muranjan drew attention to the fact that though there is a choice today between economic growth under conditions of free enterprise and competition, and planned economic growth, "the line of demarcation between the two is not distinct and it will never be distinct and it is largely a question of degree." This statement is of considerable validity in the context of the ceaseless controversy over the role of the public and the private sectors in the development of an underdeveloped economy like India. Dr. Muranjan reminded that there was no ideal ratio of economic activities between the two sectors. While in the first Plan, out of the total investment of Rs. 3,100 crores, the Public Sector was responsible for Rs. 2,000 crores, in the second Plan it accounts for Rs. 3,800 crores out of the proposed total investment of Rs. 6,200 crores. The proportion is thus slightly more in favour of the public sector in the second Plan which is largely explained by the bias in favour of heavy industry and such other forms of investment as require huge resources. The private sector is thus left with the residuary field covering industries calling for smaller investments. With the emergence of perspective planning, however, investment would naturally tend to be governed by long-period perspectives and the entire process would have to be looked upon as a joint social responsibility with a view to the rapid development of the productive potentialities of the economy. Viewed from this point of view, the types of conflict that are normally attributed to a stagnant economy leading to a kind of scramble for a greater share between the two sectors loses much of its force.

The central fact to be recognised is that assuming that the State is committed to the goal of a mixed economy, no useful purpose will be served by any dogmatic type of distribution of responsibilities. The proper approach, on the other hand, would be that as many opportunities as possible are afforded to the non-State sector in the form of encouragement through various types of incentives, which are quite considerable, like provision of technical advice and sharing of resources from foreign assistance and so on. In the matter of entrepreneurial talent and technical skill as well as managerial personnel, there is enormous room for mutual give and take. Thus seen, a vista of vast possibilities emerges and the challenge thrown for innovators can be taken up by the private as well as the public sector. It is a challenge to the State sector also because that sector has to be equipped for the new responsibilities that devolve upon it, which means not only adjustment with regard to training of personnel but the evolution of appropriate principles of operation of public enterprises.

LABOUR MINISTERS' DECISIONS

IT WAS an act of wise statesmanship on the part of Mr. Khandubhai Desai, Union Minister for Labour, not to press forward the I.N.T.U.C. chant for general increase in wages at the Labour Ministers' Conference as a 'quid pro quo' for labour's co-operation with the second Plan. There can be no doubt that any increase in wages which is not related to productivity is bound to make a spiral of what the Finance Minister has acknowledged as an 'incipient inflation' at the present time. In the interests of the country's economy, it is desirable that the wage structure for the Plan period should be such that it is rational, practical and realistic. In this context while the establishment of Wage Boards in a few selected industries is to be welcomed, it has to be recognised that they could function satisfactorily only if the Wages Commission (the appointment of which is now given up) had done some spade work by way of collecting data on existing wage rates and recent wage trends. For it is only from a full appraisal of the existing conditions in each industry that indications as to future policies can be obtained. This preparatory work, it is to be hoped, may be now done by the Wage Boards themselves. While keeping in view the long-term objectives of industrial democracy, one hopes that the Wage Boards would be guided in their work by the inescapable need to correlate wage rates with productivity and the capacity of the industry to pay.

Concerning the exciting issue of workers' participation in management, it would be much better to implement the scheme after a careful study of the conditions at home and the experience abroad. The approach to this problem at the Labour Ministers' Conference is indeed to be commended. The experiment of the Tata's at Jamshedpur need to be carefully watched before the whip is applied to the private sector en masse to introduce workers' participation in management, which the state apparently is not very keen on having within its own domain, particularly the Railways.

The decision to provide training courses in sound trade union ideals and practices to workers and their leaders is perhaps the most outstanding contribution of the Conference to industrial peace. But the approach to labour legislation in taking out of the purview of ordinary courts all matters relating to labour legislation and to place them under the jurisdiction of permanent labour courts seems rather unwise. There is always a risk of these sepecialised courts taking a narrow view of labour problems where a wider comprehension may be in the interest of the community as a whole. Another decision of the Conference—namely, to raise the provident fund contribution from 6¼ per cent to 8-1/3 per cent—may, it is feared, increase industrial costs.

COUNCIL OF APPLIED ECONOMIC RESEARCH

THE FORMAL opening by the President last month of the National Council of Applied Economic Research is a major event in the onward march of applied research in this country. The Council has come into existence not a day too soon. The second Plan has already begun and will soon gain momentum and with it a number of problems will crop up clamouring for solution based on scientific study. Though there are a number of research bodies in the country, they do not command adequate resources to function on an all-India basis to meet the heavy demands of an expanding economy. Moreover by being a non-governmental body, the National Council can be entirely objective and even be critical of Government policy. Its services will be available not only for Government but for industry as well which is also confronted with various techno-economic problems which can only be handled by research. Thus the Council has before it several distinct but interdependent responsibilities to attend to.

Speaking on the occasion, the Union Finance Minister drew attention to the fact that planning in India should be in tune with demand patterns in the community. The fundamental problem before an underdeveloped country like India is to integrate the economy of rural India with the rising industrial India and as a sequel a major issue that will have to be resolved successfully is how to integrate small and large industries. It is appropriate, therefore, that one of the projects that the Council has immediately taken on hand is 'problems connected with small-scale industry'. The other problems like energy demand, transport, study of taxation in India and in the capital-exporting countries affecting foreign investments in India, are all virtually concerned with the fulfilment of the second Plan.

The Council will thus have an opportunity to dedicate its skill and its resources to an ever-expanding public service. The fact that it will have the close co-operation of the Stanford Research Institute, California, invests it with added prestige. One can look forward with confidence to the research activities of the Council for contributing to the general welfare.

ASIAN WRITERS' CONFERENCE

NEW DELHI has in recent years been the venue of many conferences and seminars. The latest was the Asian Writers' Conference, which met towards the end of December. It was unique, being the first conference of Asian writers ever to have been held. Having been sponsored and nurtured by Dr. Mulk Raj Anand, a prize-winner of the Communist-sponsored World Peace Council and Mr. Sajjad Zahir, former Secretary of the Pakistan Communist Party, it was expectedly Communistic. Mostly, Communists and fellow-travellers and writers who subscribed to an identical political faith were invited. The Conference was, therefore, hardly a platform for genuine writers to discuss their problems. This was mitigated to a certain extent, however, by the inclusion of some non-Communists in the Indian delegation, prominently among them being Mr. S. H. Vatsyayan, Mr. Humayun Kabir and Mr. Prabhakar Padhye. The result was a coming together in a single delegation of inflexibles.

As was to be expected, differences, often sharp, arose at the Conference, especially in the discussion on Freedom and the Writer. The question of relationship of the writer to freedom cannot be answered with platitudes or effusive sentiments. The Communists emphasized that a writer must think of and write for the betterment of the society. This, in Communist practice, means that a writer is an accessory of a monolithic Party or State, and should propagate its current ideology. The non-Communist writers resisted such a definition. They stressed that it was the writers' privilege and duty to preserve freedom, and therefore a civilised tradition, against the encroachments of totalitarianism. The voluntary discipline of an artist should alone be his limitation.

The fact that young Indian writers generally raised their voices in support of complete freedom for the writer gives a clue to the way in which literary trends are moving in this country. These trends are apparent in the vague report of the Commission on "The Writer and His Freedom"—vague because it was, doubtless, a compromise. It stated that "society should depend on the conscience and goodwill of the writer" and that he should not be unnecessarily burdened with "extraneous obligations".

The same inclusion of some convinced non-Communists in the Indian delegation seems to have frustrated an attempt to make the Conference the usual Communist show. The present-day democrat as well as the future historian, musing over the coming-together and the deliberations of the Conference, may well discover the need and virtues of organisation among non-Communists: it is well-known how effective Communist organization and propaganda have inavariable been in the past. The Conference has offered ample evidence that Communist organisation and propaganda can be matched.

YUGOSLAVIA AND HUNGARY

YUGOSLAVIA'S STAND on the Hungarian situation has been criticised in certain democratic circles as rather one-sided and partial to the Russians. Vice-President Edvard Kardelj's recent speech in the Yugoslav National Assembly, can, perhaps, be considered an unbiassed assessment of the developments in Hungary. His view is that the new trend in Communism, which was initiated by Yugoslavia as far back as 1943 and for which favourable circumstances were created by the decisions of the 20th Congress of the Soviet Communist Party, is catching on in the Eastern European countries, and should be recognised as such. As Tito had said earlier, the trouble is not strictly the cult of the individual, but rather the system which nurtures such a cult. A socialist democracy should be primarily concerned with human beings and only secondarily with factories and production targets. Along with social ownership of the means of production, there should be a parallel development of specific forms of democracy, if socialism is to progress. Bureaucratic despotism is not conducive to the flowering of the social genius of any country. In the final analysis democracy cannot be divorced from socialism, because the masses, who constitute society, should be active participants in the country's progress not only by physical efforts but also by discussion and analysis. It is fallacious logic, alien to Marxism, that a party or state can build socialism without the working class or against the latter's will. Both Hungary and Poland have proved this. It is in fact the workers' councils and the communes, which are the standard bearers of socialism and democracy, and not any party, which may have brought about the proletarian revolution.

NORTHERN RAILWAY
NOTICE

The following changes will take effect in Time Table on and from the 1st January, 1957.

(I) **Existing Trains extended.**

(a) Nos. 2UD 1UD (Old Nos. 2UN 1UN) Ambala Nabha Shuttles extended from and to Dhuri.

(b) Nos. 5PB 6PB Pathankot Baijnath Paprola Passengers extended to and from Joginder Nagar, and renumbered as 5PBJ 6PBJ.

(II) **New Connections secured.**

(a) No. 3SL with 3LC at Lucknow.
(b) No. 348 Dn with 62Dn at Ambala Cantt.
(c) No. 407Up (Old No. 419Up) with 4BSH and 2BHS at Sadulpur.

(III) **Additional train halts provided.**

(a) No. 305Up at Narela and Sonepat.
(b) 72Dn at Mehrawal and Danwar.
(c) No. 353Up at Madrak, Chamrola and Wair.
(d) No. 70Dn at Rasulabad.
(e) No. 354Dn at Chamrola.
(f) No. 1LC 2LC at Ajgain.
(g) No. 232Dn at Patel Nagar.
(h) No. 48Dn at Rasulabad.

(IV) **Existing train halts cancelled.**

(a) No. 305Up from Subzi Mandi.
(b) No. 353Up will halt at Stations where 108Up is stopping at present on Lucknow Kanpur Central Section & No. 108Up will stop at all stations on the Lucknow Kanpur Central Section.
(c) No. 1BDL from Palam, Baijwasan, Garhi Harsaru, Patil, Pataudi Road, Khalilpur, Nangal Mandi, Dahina Zainabad, Kaninakhas, Bogawas, Zerpur Pali, Nanwan, Satnali and Sohansara.
(d) No. 2BDL from Khalilpur Pataudi Road, Patli, Garhi Harsaru, Bijwasan and Palam.

For timings at intermediate stations reference should be made to the Station Master concerned.

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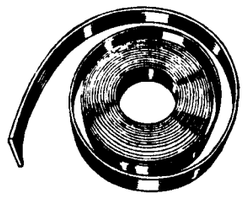
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A Window on the World

SARVODAYA: UTOPIA ATTAINABLE

By

ODYSSEUS

FOREIGN READERS need to know that the protagonists of the Bhoodan (land-gift) movement do not regard it merely as a way of getting land for the landless but as a means of achieving Sarvodaya, the Indian Socialist, co-operative, welfare commonwealth outlined here last time.

The idea of Bhoodan came to Acharya Vinoba Bhave when, on April 18, 1951, he was visiting the village of Pochampalli in the Telengana area of what was then Hyderabad. Landless Harijans begged him to get land for them. A local landowner spontaneously offered 100 acres. Vinobaji felt that he had stumbled on to something. Within two months he had collected 12,000 acres, and this eased the tension in Telengana. Within a few months, Bhoodan had gathered such impetus, and struck the headlines to such effect, that Pandit Nehru invited Vinobaji to discuss village welfare with the Planning Commission in New Delhi. A good part of Bhoodan's success in gaining support among all parties arose because whereas many political leaders hesitate to commit themselves to Sarvodaya, nearly all admit the practical possibilities of Bhoodan.

From Bhoodan, Vinobaji proceeded to Koopdan (gifts of wells), Baildan (gifts of bullocks), and Sampattidan (gifts of wealth) which enabled city dwellers to share in promoting Sarvodaya. Sampattidan is to declare one's income and to pledge a proportion of it — usually one-sixth — to Vinobaji for welfare objects. There is also Jeevadan (gift of life) for those who wish to dedicate their lives to constructive work towards Sarvodaya. Gramdan is the gift of whole villages by land-owners to the villagers for development in common ownership.

Gramdan has made most progress in Orissa where over 900 villages had been collected in two districts by the beginning of last year. In view of the fate that has overtaken similar attempts at voluntary common ownership and working in other countries at various epochs, it is to be hoped that some foundation, such as Tatas or Ford, will make a grant for an authoritative study by disinterested scholars of this notable experiment in Orissa, Kerala, and elsewhere.

At first, the politicians saw Bhoodan essentially as a method of solving problems of land reform, but the Bhoodan leaders retorted that while the equitable distribution of land was important, their basic object was, through Bhoodan and Sampattidan, to secure a revolutionary change in India's social structure. What shape Sarvodaya would take in the cities where social relationships are complicated, they did not as yet foresee, but in the villages they claimed that there were already indications of the society of the future.

THE HINDU SCRIPTURES RE-INTERPRETED

One of the strengths of Sarvodaya is that it enlists the support of the orthodox and traditional, powerful elements in Indian life which are so often antagonised by progress when preached in Western terms and concepts. Most Sarvodaya leaders expound their ideas in Hindu scriptural language, adapting phrases and aphorisms as familiar to the rural masses as the language and stories of the Bible are to the Christians of the West. Margaret Fisher and Joan Bondurant, the authors of "Indian Approaches to a Socialist Society" (Berkeley University. $1.50) which is a collection of extracts from the Indian press, say that when the use made by Vinobaji of the scriptural allusions, and his reinterpretation of classical stories and precepts, is analysed, the basic elements of this indigenous "Indian Socialism" are seen to be dictated by modern needs and to reflect the influence of Western rationalism and humanism. Indeed, these two sympathetic observers argue that the apparent inconsistency both of the teachings of Gandhiji and Vinobaji often arise from adapting an old rule, custom, or moral, to fit a new social or economic need.

In so doing, Gandhiji and Vinobaji are but following the examples of the great prophets of the past. Buddha and Jesus, for example, were each men with a new message and one of the secrets of their success was that they used the myths, fables, and folklore, with which their audiences were familiar so that they would see the point at once. The university philosopher with a message, like Kant, or T. H. Green, or A. N. Whitehead, expounds his logical and systematised views in abstract thought to the few. The prophet reaches the multitudes with his homely illustrations and his poetry. It is a mistake, however, to conclude that the one method is necessarily better than the other. The prophets need the systematic thinkers to co-ordinate their ideas and the philosophers need the prophets to spread their findings far and wide.

These points must be emphasised because, since the language and form of Sarvodaya make a strong appeal to orthodox Hindus, some foreign observers write Sarvodaya off as a retrograde or reactionary symptom. The shortest refutation of this, however, is to point out that the terms Yajna, Dan, Yatra, are traditionally associated with strivings towards personal salvation, whereas Vinobaji is using them to express a movement with a social objective. Sarvodaya, moreover is for everybody. When certain orthodox Hindus objected that atheists should not be allowed to participate in Bhoodan, Vinobaji said that all were welcome provided they were sincere workers for Sarvodaya. Vinobaji is no more a protagonist of orthodoxy than was Gandhiji. However traditional the framework within which Vinobaji has set Sarvodaya, he insists that human reason and will power can solve social problems. "No problem frightens me," he has said, "for I believe that there is no human problem but can be solved by human intelligence."

The Sarvodaya ideal is a stateless society attained by steady attenuation of the role of the central authority. The aim is a nation of self-governing villages, depending on the observance of a moral law which, it is said, can be effective only after members of society have matured to the point of recognising their responsibilities.

In the preceding articles of this series, the percipient reader will have noted the conflict in my mind as I have outlined Sarvodaya's aims. The conflict arises because my education having been of the Western type, and most of my experience having been derived

in the highly developed and complicated Westernised industrialised societies that exist in cities, I have the Western intellectual approach to these problems, so that I am constantly aware of what seem to me the weaknesses of Sarvodaya, which is based on an opposite approach and on an experience of a life in which rural existence is the rule and urban the exception. On the other hand, it is important that the Westernised university type who (a) for the most part governs India today, and (b) constitutes the majority of foreign observers, should not dismiss Sarvodaya without a real effort to understand it. One of the important facts about it is that it represents a contribution from responsible and serious strata of thought and experience which are apt to be pushed aside in modern states and prevented from making their full contribution. Secondly, even if ultimately one is led to criticise some of the arguments for Sarvodaya, the very effort to do so makes for clarification of thought.

One fact stands out. The concept of a stateless society made up of self-governing villages is not wholly a poet's vision of the future, for the India of the past, and other vast tracts of the world, have passed through phases closely resembling it.

REPERCUSSIONS OF MODERN COMMUNICATIONS

Railways, telegraphs, fast ships, radio, newspapers, and international division of labour leading to an international link between markets and to a virtually world-wide spread of international credit, were among the causes which led the influence of government in India under British rule to be increasingly felt throughout every village, and the same causes have continued and strengthened this central influence under independence. But the empires of Asoka and of the Mughals did not have all these modern means of communications. At the height of their powers, the influence of an Asoka or an Akbar was felt, negatively, by the maintenance of peace in the country and, positively, by the periodical gathering of taxes. Their empires, by and large, were essentially tax-gathering machines for the maintenance of peace. Beyond that, their influence on village life was negligible, and the villages were economically self-contained, politically self-governing, units of the type envisaged by Vinobaji. Moreover, the villagers observed a moral law. The concept of duty, of individual responsibility to the community, rested on the Hindu "natural" law known as Dharma. Sarvodaya holds up Dharma, which embraces the entire range of duty with an implied religious sanction, as the ultimate government of a highly decentralised society. But this was precisely the law enforced by custom in the self-governing villages of India before they were brought under a central government equipped with modern means of enforcing central policies.

To me, therefore, Sarvodaya is by no means the dream of an impossible Utopia. It has existed in India, Asia, Africa, and Europe, at various epochs of recorded history. Nor, to be effective, does it even require the members of society to have "matured" to some hitherto unattained degree of moral responsibility. The point is important because one of the lines of criticism of Sarvodaya is to urge that its ideals of non-violence render it impossible of attainment so long as human nature remains what it is. I argued this myself here only last time. I still maintain that absolute devotion to non-acquisitiveness and non-violence are so contrary to all experience of human nature as to be unattainable in any foreseeable future. I even add that I am not convinced that they are really desirable ideals. But their unattainability does not mean that Sarvodaya is unattainable — only that a lower or, as I would say, a more human level of it can be achieved, as it used to exist before modern communications destroyed it.

But if Sarvodaya, defined as economically self-sufficient and politically self-governing villages, is attainable, it is, I suggest, only compatible with an infinitely lower material standard of living than is possible when villages form units in an economy of national specialists dividing their labour, and sharing the division internationally with specialists abroad, able to borrow the surplus saving of other countries, which involves the use of internal currency and international exchanges and credit — all of which are repudiated by Sarvodaya.

Moreover, unless some form of central state (a) exists to gather taxes to maintain national defence in a world that will remain predatory in any foreseeable future, the self-governing villages will be subject to interference from abroad, like the satellite states of Eastern Europe, or Kashmir, or Tibet; and (b) exists to conduct trade and other relations with foreign countries on behalf of the villages, no international trade will be possible.

To sum up the argument so far: Sarvodaya, like other varieties of Socialism, is workable and attainable, but seems to me replete and complete with every modern inconvenience.

That I do not, however, regard Sarvodaya as a system that can be ignored is perhaps suggested by the title of the following article: "The Practical Aspects of Sarvodaya".

THE PRACTICAL ASPECTS OF SARVODAYA

By

ODYSSEUS

THE EARNEST FOREIGN STUDENT of Indian affairs may obtain a better grasp of the significance of Sarvodaya by noting the criticisms of the Western Socialist or Welfare state made by Sarvodaya leaders.

The essential difference between the Western and the Sarvodaya approach is that the Western Socialist state is a centralised institution, concentrating more and more power in its own bureaucratic hands in order to confer the maximum material benefits on the people, in education, medical attention, old age pensions, paid holidays, full employment, enforcement of hygienic industrial conditions, and so on. The Western Welfare Socialist bureaucrat is intent on doing good to the people (that, at least, is the theory).

Whereas the Sarvodayan aim is to get the people to attain all these welfare objectives by their own joint personal efforts.

In place of bureaucrats administering centrally devised schemes from huge all-India offices, the Sarvodayan wants the villages to be as economically self-sufficient as possible, and to be politically self-governing through panchayats for political organisation and through community committees for co-operative economic organisation.

The Sarvodayan Socialist is alarmed at the loss of personal freedom and industrial initiative in the Western Welfare state—a point on which this column has been sounding the alarm for years. As P. Srinavasachari wrote in 'Harijan' on November 5, 1955, (quoted in "Indian Approaches to a Socialist Society", published at $1.50 by Berkeley University, Cal., a wonderful quarry of official texts on our topic): the common man in the West "is much more conscious of being governed than of governing," whereas in the Sarvodaya state "as more power is vested in the units, every person takes an active interest in day to day administration...The governing authority does not impose its will but carries out the decisions of the popular will." Again, K. G. Mashruwala wrote in "A Vision of Future India" (Ahmedabad: Navajivan, 1953) that every citizen ought from birth to death to enjoy the benefits of the Welfare state, "but if this can be done only by making him from birth to death something like an A, B, or C class prisoner of the State, under the outward semblance of democracy (and the USSR also regards itself to be a democracy of our type), it is much better to live, as we have lived from the birth of humanity till now, in some sort of hard struggle for existence than be just comfortable animals, well-kept by a small powerful group of our own species".

Jayaprakash Narayan himself has repeatedly expressed the fear that the Welfare state "in the name of welfare, threatens as much to enslave man to the State" as any totalitarian state.

All this is admirable. The next step in the Sarvodaya argument, however, seems to me to be a false one. The Sarvodaya leaders fear that the obvious imperfections of human nature stand in the way of the achievement of a society of self-governing villages. Vinobaji thinks that a "parental" form of government is necessary in a society in which the people are ignorant of their responsibilities and have not attained a capacity to think. As the people progress in understanding and as social co-operation develops, the need for government will be less and less. "Then government will not remain an institution which will order people about but will become one which will only advise them." As moral levels rise, the power of government will decrease and ultimately the state will wither away.

As I have ventured to point out earlier, the foregoing argument is open to dispute on historical grounds. Before the Western industrial revolution of the nineteenth century endowed governments with means of communication that annihilated space and time and brought their centralising influences to bear in the remotest village, the greater part of the world lived in rural economies the chief feature of which was the self-governing community, untouched by the government of the state except for periodical visitations of the tax gatherer who collected revenues on behalf of a king or emperor whose economic and political justification was that he existed to maintain peace and defend the state from external aggression. I submit also that all the evidence of anthropology and history suggests that as far back as we can discern recognisable human beings they have shown themselves to have attained a sufficient sense of social co-operation to manage to govern themselves reasonably well in small communities.

I cannot help thinking that the root fallacy that has misled Vinobaji into believing that a higher degree of moral and social consciousness is necessary before Sarvodaya can be attained arises from a failure to grasp that what does need a higher social consciousness to make it work successfully is not the village but the highly complex society based on large-scale industrialisation and modern communications.

WHY THE WEST HAS HIGH STANDARDS OF LIVING

I repeat that life in small village communities does not call for any substantially greater moral development in man than exists already. The need for a greater sense of individual responsibility and social obligation begins to be felt more and more as the unit of self-government enlarges itself and becomes more complicated. Life in an isolated, self-sufficient village is simpler than life in which the economy and the administration covers two or three neighbouring villages. Why, then, do men not stick to the self-sufficient single village and avoid entanglement with others? For a variety of practical reasons. First, because it is virtually impossible for any village to live entirely without contacts with neighbours, and such contacts open up problems of joint-relationships; secondly, defence against outsiders is strengthened by joining up with others; and above all, thirdly, because joint action leads to greater wealth. The smaller the self-sufficient village economic unit, the lower its standard of living is likely to be. London and New York have extraordinarily high standards of living because they are units in vast, highly complicated, organised national economies, which in turn are dependent on the elaborate ramifications of the international division of labour, which involve such headaches as the Suez Canal and Arabian oil.

SHOULD NEW DELHI WITHER AWAY?

There is no reason why Vinobaji should not achieve Sarvodaya and why the Government of each Indian state and of New Delhi should not be made to wither away in accordance with Sarvodayan doctrine. But these states were called into being to discharge an enormous variety of functions which will come to a dead stop if they wither away, because they are not the sort of functions that small village panchayats or co-operative committees can tackle. To give but two concrete examples, no village panchayat could organise the Damodar Valley scheme, and no village co-operative committee could make the international arrangements that led to British, Soviet, and German aid in building three socially owned steel plants.

Moreover, however successful the Sarvodaya leaders may be in raising the moral stature of India's rural masses in such ideals as non-acquisitiveness and non-violence (which, as we have said is an important part of their programme), unless simultaneously they have inculcated these ideals into the whole of Asia (at any rate as a start, and before they launch out on the other five continents), an organised modern state, equipped with armed forces, and with diplomatic agents to secure material aid from allies abroad to make good any lacks in our resources, will be necessary to defend India's several hundred thousand self-governing villages against envious marauders from abroad. If you've forgotten Genghis Khan, remember Babar. If you've never heard of Hitler, don't forget Stalin and General Tojo.

If I thus point out what seem to me to be weaknesses in the theory of Sarvodaya, it must not therefore be assumed that I am wholly hostile to it. On the contrary, I believe that entangled with the Utopianism, there is a substantial element of truth and sound common sense in the Sarvodaya movement.

The fatal weakness of the Western Welfare state is that it is undermining the self-reliance, initiative and sense of individual responsibility of the masses, and teaching them to rely on the state to feed, clothe, educate, and provide comfortable and easy work for them from the cradle to the grave. There is no future for any nation whose people expect to have no difficulties, problems, or hardships in their lives.

The strong point of Sarvodaya is precisely that it does not look to the State to take the initiative in any-

thing and that it is, on the contrary, preaching self-reliance and self-help to the people. In this, it is, as far as I know, unique today in all the world.

If I do not myself believe that Sarvodaya's ultimate ideal of a stateless society can be reconciled with a high standard of living, and that in present circumstances it is therefore unlikely to be attained, I certainly do believe that the more successful that it is in spreading the gospel of Bhoodan, panchayats, Gramdan, and local co-operatives, the more dynamic, progressive, healthier and happier, morally and materially, will the lives of the rural masses become. But this does not mean either that large-scale state industrialisation will be scrapped or that all Private Enterprise will disappear, and there is no reason why it should. Nor is the State likely to wither away and the denizens of New Delhi's North and South secretariats sent to rehabilitation centres to learn how to plough, sow, reap, and adapt their red-tape for use on village panchayats.

There are reasonable prospects that Sarvodaya will attain a large measure of success in its practical uplift aims because (1) its leaders, Vinobaji, Jayaprakash Narayan, and many others, cannot be dismissed as mere visionaries. They are men of outstanding calibre and ability, and (2) the Congress Party, which remains the most powerful organised political force in the country has recognised the value of supporting Bhoodan and Sarvodaya, and through them strengthening the Congress hold on the mass of the electorate.

Nor, in this Sarvodaya-Congress relationship are the benefits all on one side. The traffic is two way. If the Sarvodaya leaders benefit in a variety of practical ways by official support, the Congress Party cannot profess sympathy for Sarvodaya without helping forward certain aspects of its programme.

[Previous articles in this series attempting to outline the essentials of Indian Socialism for foreign readers were: "Why Socialism Came to India", "Is India A Socialist State?", "The Clue to the 'Socialistic' Muddle", "What Is Sarvodaya?", "Sarvodaya: Utopia Attainable". Next week's final article will be entitled: "Pandit Nehru's Socialism".—Ed.]



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AGONISING REAPPRAISAL IN WEST GERMANY

(From Our Special West European Correspondent)

PARIS, December 15.

THE violent upset in international relations which began in the summer has left no country unaffected. Every nation in Europe has now to devise a foreign policy based on a totally new calculus of powers and probabilities. The Federal Republic of Germany is no exception, for events in Poland, Hungary and Egypt have shaken the foundations of Konrad Adenauer's foreign policy, presenting West Germany with some new hopes and several new dangers.

The first new element, and in the long term probably the most significant, was the peaceful anti-Russian revolution in Poland which brought to power a more liberal and more independent regime under Gomulka. This change meant that if and when Germany is reunited she will have for her eastern neighbour not a ruthless Communist dictatorship or a Russian puppet, but a more civilised government whose independence of Moscow the West might seek to increase by generous and friendly treatment. This is important for Germany because Poland today includes one-fifth of the territory of pre-Hilter Germany, the lands beyond the Oder-Neisse line where once lived nine million Germans who were expelled after 1945. This post-war border between Poland and Germany is juridically provisional, for there is yet no German peace treaty, but in reality it is quite irrevocable unless there is another world war. As long as the cold war continued and as long as the Warsaw Government was a Russian puppet-show, West Germany could pretend not to recognise this piece of reality and verbal irridentism could flourish without any of her Western allies daring to say that the Oder-Neisse line was permanent.

The revolution in Poland puts a new complexion on matters. In Warsaw is developing a regime that is considerably more liberal than Tito's, and whose stabilisation and independence are as important for the democratic West as for the Communist East. To strengthen the ties of the new Poland with the West and to decrease her reliance on Russia, it is necessary that Poland feel as secure on her western frontiers, with Germany, as on her eastern frontiers, with Russia — and that involves the final surrender by Germany of all claims to a restitution of the Oder-Neisse lands. Not that the time is yet when Germany will or should publicly announce surrender of those claims, because obviously the Germans must keep all their bargaining counters in their hands until the moment for a full settlement arrives. But West German foreign policy has to begin evolving toward that possibility and public opinion must be prepared for what will be a considerable emotional sacrifice. Already last week, Herr Wilhelm Grewe, Director-General of Political Affairs in Bonn's External Affairs Ministry, wrote discreetly: "It will be of the highest importance to convince the Poles that they have no need to seek the protection of the Red Army to secure their State against (a reunited) Germany. Speeches and slogans will not convince them. We must have clear ideas on the question of our eastern frontiers". Which is as near as a West German official can safely go to admitting that irridentist claims must be abandoned.

West Germany had barely begun to digest this fact when the revolution in Hungary transformed the international scene even further, and brought with it a grave and immediate danger. The first reaction of the Bonn Government, which is composed of Europe's most convinced Christians and anti-Communists, was naturally to exploit this demonstration of Russian barbarism as proving their case against Communist tyranny and as revealing what sort of "popular democracy" must really prevail in East Germany. It happened that the Bonn Government was at the time seeking to hurry through parliament the law for a new German army, against socialist opposition, and the reawakening of the Russian menace to West Europe came as a convenient argument in this debate. But as the horror of the Hungarian tragedy developed, a new mood of caution was felt in Bonn, and we had the curious spectacle of even Dr. Adenauer and President Heuss declining to take part in a meeting in West Berlin in support of German reunification. The Minister that they sent along to that meeting, Herr Kaiser, made a most pacifying and moderate speech which contrasted sharply with all his previous utterances on this subject and which included the significant remark: "Our whole reunification policy has to be revised in the light of world events".

Elsewhere, Dr. Adenauer went even further and not only toned down all references to German reunification but abated his anti-Communism to the extent of urging the Germans in eastern (Communist) State to "stay quiet". This sudden soft-pedalling on the major themes of West German politics is to be contrasted with the indignation that shook the Federal Republic in June, 1953, when Russian tanks put down the workers' rising in East Berlin. The reason is not far to seek. It had occurred to the leaders in Bonn that if a Hungarian-type revolution were to break out in Communist East Germany, as it easily could even now, not only Germany but Europe and the whole world would find itself on the verge of war. The West has stood by and watched the slow and brutal murder of the Hungarian people — but it is quite improbable that the West Germans, whatever their Government might say, would stand by and watch a similar genocide in East Germany. A popular rising in East Germany would bring brutal Russian repression, that in turn would surely bring popular intervention from West Germany, and since West Germany is a member of NATO and the station of many American troops, the third world war would as good as have begun.

It cannot be too strongly emphasised that this danger has by no means passed. The 17 million Germans in the east have suffered much the same treatment as the nine million Hungarians who still today are struggling against Russian tanks. The same centres of opposition as existed in Hungary in the last days of Rakosi exist today in East Germany. The Ulbricht regime is making the same desperate efforts at repression as Rakosi made. If the East Germans are not up in arms today it is only because they had a taste of Russian repression in June 1953 and because they see what is happening in Hungary. But the hopeless, deathless determination of the Hungarians shows us that we cannot rely on the victims of Communist oppression to lie low merely because the cause is impossible — and in the case of the East Germans the knowledge that intervention from the West would be almost inevitable might serve as an encouragement rather than the contrary. This is why the advocates of anti-Communism and German reunification in Bonn are now in the odd position of hoping that the Pankow Communists remain safely in power for some considerable time yet.

Another plank of Dr. Adenauer's foreign policy that has cracked this autumn is European unity. After his brief but acid quarrel with the USA some months ago, Dr. Adenauer turned with renewed vigour to the campaign for a united Europe including Britain, seeing in

this a hope of more consistent support than Germany could expect from Washington, where the main consideration sometimes seems to be an agreement with Russia over the heads of the second and third class European powers. This campaign was just set going when the two main partners in any possible united Europe, Britain and France, suddenly and without consulting the other European nations, launched on the disastrous Egyptian expedition. This was not merely directed against a nation with whom the West Germans had been sedulously cultivating commercial and political relations (the Germans hoped to get a major share of the Aswan dam orders) but showed that anti-colonialist Germany would be in danger within a united Europe of being drawn into the colonial adventures of her major European allies.

From the beginning of the Suez dispute, West Germany had taken a line that was nearer Egypt's than the Franco-British case, and there is no doubt that if she had been a member of the United Nations she would have voted, as Italy did, against the French and British. West German industry has throughout been solidly pro-Nasser and is now seeking Italian and American support in an effort to replace the original Franco-Anglo-German consortium that was to build the Aswan dam. Not only in Egypt, but elsewhere in the Middle East, West German industry is eagerly seizing the opportunities opened by the loss of Franco-British prestige. In Jordan, orders for roads, refineries and the port at Akaba have lately been taken up by the Germans, and in the Sudan, German industry now has a good chance of getting a share in the irrigation project between the White and Blue Niles, a position that hitherto seemed secured by the British. These activities may be all very well from a general point of view, but they would make nonsense of a "united Europe" such as Dr. Adenauer promised to work for in the summer.

But are they even all very well from a general point of view? The Bonn Government is beginning to have doubts. Though violently disagreeing with the Franco-British reaction to the Suez nationalisation, Bonn realises that events in the Middle East oblige it to reconsider its grandiose plans for aid to under-developed countries, for example along the lines of Krupp's "Point Four-and-a-half". Such plans involve financial support from the West German Government and when agreements are open to the sort of treatment the Suez agreement got from Nasser, such support can be dangerous. Herr Hermann Abs, who is President of the Sud Deutsche Bank, is also financial adviser to Dr. Adenauer, and it is significant that he said last month: "If investment conditions in these countries (Herr Abs had just referred to certainly newly independent States who "violate international law") continue to deteriorate, then Western governments will have to consider seriously whether they should continue to impose on their own economies the risks that result from this". And Herr Abs advocated European unity on the question of safeguarding investments in under-developed countries. It appears that Bonn is having misgivings about the daring lone-wolf policies of German industry in regions where France and Britain have lost credit.

German reunification, the return of the Oder-Neisse lands, European unity, the close alliance with Washington, and finally Germany's independent future as the industrial support of backward Asia — all these foundations of West German policy have been rudely shaken in the past few months. Little wonder that, although she has not been directly involved in any of the violent commotions of this tempestuous year, the Federal Republic is as confused about the future as any European State.

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WORLDGRAM

AGRICULTURE

Farm Output in China: China's agricultural production for 1956 showed an overall increase over last year despite natural calamities. Grain crops, including wheat, rice and soyabeans, were up more than 10 million tons, while cotton production rose by about 60,000 tons. But although production exceeded the original targets for 1957 — the end of the first Five-Year Plan — grain production was about 4.5 million tons less, and cotton about 200,000 tons less, than was estimated earlier this year. Nevertheless, ambitious targets have been set which would raise grain production by 14 million tons and cotton by about 300,000 tons. Statistics given by the Agrictultural Ministry of China put 1955 grain production at 184 million tons, 1956 production at 194.5 million and the 1957 target at 208.05 million. Cotton production in 1955 was given as 1,518,000 tons, in 1956 as 1,575,000 and the 1957 target as 1.8 million. Soyabeans output this year — which was included in the grain total — reached an unexpected 10.25 million tons, an increase of about 1 million tons.

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Punjab's Cotton Crop: The total area under cotton crop in Punjab has risen from 7,45,000 acres in 1955-56 to 8,49,000 acres in 1956-57 according to the second official forecast of the crop. The total area sown this year is shared by 'Desi' and American cotton with 2,09,000 acres and 6,40,000 acres as against 2,03,000 acres and 5,42,000 acres respectively, in the last year.

INDUSTRY

Indo-British Venture: To build a heavy engineering works in the vicinity of Durgapur, West Bengal, a new company formed of British and Indian interests is planned. An announcement in London says that the Associated Cement Co., Ltd., of Bombay with Vickers, Ltd., and Babcock & Wilcox, Ltd., of London, have concluded arrangements for the formation of a company to be known as ACC-Vickers-Babcock Private Ltd. (A.V.B.). The new company plans to build a heavy engineering works to manufacture cement-making machinery, mining machinery, large pumps, heavy gears, steam generating plant of all types, pressure vessels, cranes, and mechanical-handling equipment. Construction of the A.V.B. works will begin as soon the Government of India's approval — now begin sought — has been obtained.

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Ammonium Sulphate Production: The Sindri Fertiliser Factory exceeded its production target of 30,000 tons of ammonium sulphate for the calendar year 1956 by 1,725 tons, it is officially learnt. For the third time in succession Sindri has exceeded its production target. The production of ammonium sulphate for the calendar year 1955 and the financial year 1955-56 were 21,363 tons and 26,062 tons respectively, the target being 320,000 tons. The production of ammonium for the calendar year 1955, financial year 1955-56 and calendar year 1956 were 90,847 tons, 92,288 tons and 94,444 tons respectively. The production of ammonia for the calendar year 1956 is the highest so far achieved, exceeding the production for 1955 by 3,597 tons. Ammonium sulphate despatched during the calendar year 1956 to various States was 73,921 tons, the highest on record.

*

TISCO Production: The results of the working of the Tata Iron and Steel Company for the quarter ended September 30 show production of pig iron at 283,800 tons, steel ingots at 267,500 tons, and of saleable steel at 192,300 tons, 49,800 tons of it being semis and 142,500 tons finished steel. Despatches during the quarter were 26,200 tons of pig-iron, and 193,600 tons of saleable steel, 55,800 tons of it being semis and 137,800 tons finished steel. The net value of the materials despatched after deducting from the invoices the rebate payable to Government, freight on outward traffic, commissions discounts and rebates paid to other parties, amounted approximately to Rs. 862 lakhs. The figure of net realisation includes approximately Rs. 50 per ton to be credited, after taxes, to a separate development fund earmarked specifically for capital expenditure on the expansion programme of the company under the relevant agreement with the Government.

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Wrought Aluminium Standards: 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 standards for different form of wrought aluminium and aluminium alloys for general engineering purposes now under preparation. Each of these standards is divided into two parts. Part I includes clauses on general requirements, such as terminology, freedom from defects, provision of test pieces, mechanical tests etc., while Part II covers specific requirements such as chemical composition, condition and mechanical properties of the relevant materials.

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Ceramics Factory for Jammu: The Kashmir Government has decided to establish a ceramics factory at a cost of Rs. 30 lakhs at Jammu. The Industrial Research Department has completed the necessary survey and negotiations for machinery from abroad have begun. The factory estimated to produce about 1,200 tons of ceramics, utility and sanitary were annually. The project is expected to be completed in two years.

*

Steel Plant in Pakistan: Pakistan has sought a loan from the World Bank to finance the establishment of a steel plant in West Pakistan estimated to cost about Rs. 17 crores. The proposed steel plant will be set up in Multan. It is reported that Swedish experts who visited this country recently have studied the proposal first made by German experts. The German experts had recommended the feasibility of establishing a steel plant in Pakistan.

TRADE

Anglo-Polish Trade Pact: Britain and Poland signed a three-year trade agreement in Warsaw recently according to Board of Trade announcement. Under the agreement import quotas will be negotiated annually and both countries undertake not to discriminate against the other's shipping.

*

India's Imports: India's imports during the six months April to September 1956 reached a record level of Rs. 476.8 crores representing an increase of Rs. 122 crores over the corresponding period a year ago, and the exports at Rs. 288 crores showed a small decline of Rs. 15 crores, while net invisibles and official grants were larger by about Rs. 11 crores, according to an article in the latest issue of the Reserve Bank of India Bulletin. The article states that the rate of imports almost wholly explains the deficit of Rs. 125.9 crores during the period, resulting in a depletion of her sterling balances, the main component of her foreign exchange reserves by Rs. 130.8 crores. The second Five-Year Plan visualized imports of the order of Rs. 783 crores in 1956-57 and an average of Rs. 868 crores for the whole of the Plan period on the basis of the average prices prevailing during April-December, 1955. The

actual performance during the half year April-September 1956,however, shows an annual rate of imports of Rs. 953 crores at prices which are about 1 per cent higher. Regional analysis of transactions shows that the deficit of Rs. 125 9 crores on current account was distributed in all areas, but was mainly concentrated in transactions with the sterling area and the OEEC countries. The payments position with the sterling areas changed from a surplus of Rs. 6 crores in April-September 1955, to a deficit of Rs. 21.5 crores; that with the dollar area showed a deficit of Rs. 70 lakhs as against a substantial surplus of Rs. 17.3 crores; with the OEEC the payments gap widened from Rs. 36.7 crores to Rs. 94.6 crores; and with the rest of the non-sterling area, the surplus of Rs. 12.6 crores was transformed into a deficit of Rs. 9.1 crores.

*

Mineral Khaki Drill Export: A trade notice issued by the Joint Chief Controller of Exports, Bombay says: Allocation of quotas for export of mineral khaki drill will be made in this variety on a quarterly basis in proportion to the production of the same during the calendar year 1953. The quarterly quota will be calculated at the rate of 40 per cent of the average quarterly production during the calendar year 1953. The average quarterly production of 1953 will be equal to 25 per cent of the total production during that year. If the production mineral khadi drill in any quarter during January-June 1957, is excess of the average quarterly production in the year 1953, the mill concerned will be granted an additional allotment for mineral khaki drill equal to 75 per cent of the excess production over the average production in 1953, says the trade notice. As announced earlier, adds the trade notice, mills which have started manufacturing mineral khaki drill after 1953 will also be allotted a quota for export of mineral khaki drill. They will be given quotas for this item on quarterly basis equivalent to 40 per cent of their first year average quarterly production or current production. Mills which have started production of mineral khaki drill after 1953 and before January 1, 1957, will also be entitled to an additional quota calculated at 75 per cent of the excess production in any quarter during January-June, 1956 over the average quarterly production during the first year of production for the purpose of claiming ordinary or additional quota. Export quotas for mineral khaki cellular shirting and mineral khaki other fabrics, will be issued to the mill manufacturing the particular variety. Allotments will be made quarterly on the basis of actual production of the respective variety during the first three months out of the four months immediately preceding the quarter to which the quota relates.

*

British Aviation Exports: Britain's aircraft-industry export figures for November, just published, highlight the fact that the industry's annual rate is running at over £100,000,000. The November figure is £7,961,692, and the total for the first 11 months of 1956 is £97,314,399. A breakdown of the figures for the 11 months shows that the United States bought aircraft and parts worth £15,400,000, and was the United Kingdom's best customer in this field.

FINANCE

Portugal's Budget: Portugal's budget, which has been balanced since 1928-29, shows an estimated surplus of Escs. 5 million for 1957. Ordinary revenue is put at Escs. 6,303 million, or £79 million (against Escs. 5,886 million, or £74 million in 1956) extraordinary revenue at Escs. 1,699 million (£1,794 million). Ordinary expenditure is budgeted at Escs. 6,193 million, or £77 million (Escs 5,817 million, or £73 million), extraordinary at Escs. 1,799 million (£1,354 million).

*

Finance Corporation for Kashmir: The Kashmir Government has decided to set up a State Finance Corporation in order to meet a long-felt need. The Finance Corporation will have a share capital of Rs. 50 lakhs and a paid up capital of Rs. 25 lakhs. The State Government will contribute Rs. 19 lakhs. The Corporation will meet the requirements of not only the private sector but will also help to finance deserving industries in the public sector.

*

Central Aid for Khadi Industry: The Government of India have sanctioned further financial assistance to the All-India and Village Industries Board for the development of the traditional khadi industry. The Board will provide loans to registered institutions and societies for purchasing and stocking raw materials like cotton, wool and silk cocoons, implements, chemicals, dyes and other materials required for the production of traditional khadi. The Board has been sanctioned Rs. 1.4 crores to be given as loans to registered institutions and societies recognised by it. On the recommendation of the All-India Khadi and Village Industries Board, loans amounting to Rs. 1 crore have been sanctioned directly to six institutions. They are Bihar Khadi Gramodyog Sangh, Muzzaffarpur; Gandhi Ashram, Meerut; Punjab Khadi Gramodyog Sangh, Adampur Doaba; Khadi Ashram, Ambala; Rajasthan Khadi Sangh, Chommu and Sarva Seva Sangh, Wardha. For subsidising half of the cost of implements and accessories for the production of khadi, a further sum of Rs. 2 lakhs has been placed at the disposal of the Board for distribution through the Khaddar Bhandars and centres recognised by the Board. For popularizing improved implements and guiding workers in their use, mobile parties are organised by the Board. A sum of Rs. 1,62,000 has been sanctioned to the Board for organising these parties who will train people in spinning and weaving. The Board has been permitted to re-utilize during the current financial year the revolving capital of Rs. 1.5 crores sanctioned earlier. This and an additional amount of Rs. 50 lakhs will be used by the Board for the marketing of traditional khadi.

*

South African Reserves Up: South Africa's total gold and foreign assets in the week ended December 21 amounted to £133,251,000, compared with £130,379,000 a week earlier, the Reserve Bank disclosed on December 27, 1956. The latest total comprised £79,216,000 in gold coin and bullion, £43,450,000 in foreign bills, £5,080,000 in foreign securities and £5,506,000 in other foreign assets. The ratio of gold reserves to public liabilities was 59.0 per cent.

GENERAL

Technical Bulletin on Propionaldehyde: A new technical bulletin on propionaldehyde has been issued by the Chemicals Department of Union Carbide International Company, a division of Union Carbine and Carbon Corporation. Information is included on physical properties, specifications, shipping data, applications, and toxicity. A number of typical reactions are also given. Propionaldehyde is a chemical intermediate for the manufacture of polyesters and other plastics and resinous compounds. It is also used to make pharmaceuticals, rubber accelerators, iron exchange resins, demulsifiers, and perfumes and flavours. Propionaldehyde is useful in the electrolytic purification of zinc and in photographic developing processes. Copies of this technical bulletin are available from the Chemicals Department, Union Carbide International Company, 30 East 42nd Street, New York 17, U.S.A.

NEWS IN BRIEF

INDIAN

The packing charges for cement for next quarter commencing from January 11, 1957, have been revised and fixed at Rs. 13-2 per ton. The above packing charges are applicable to cement packed in new bags only.

*

The Punjab Government has decided to levy sales tax at the rate of Re. 1 per cent on ornaments and jewellery and annas eight per cent on bullion instead of Rs. 6-4 per cent on the former and annas four per cent on the the latter.

*

Cotton hard waste and soft waste including silvers, roving ends and bondas will continue to be licensed freely for export till June 30, 1957.

*

Umbrella cloth of the medium category will continue to be licensed freely for export up to June 30, 1957 to all permissible destinations except Tibet and the Portuguese possessions in India, according to trade notice issued recently by the Joint Chief Controller of Exports, Bombay.

*

The Saurashtra Cement and Chemical Industries Ltd., which is to set up a cement plant near porbunder with a daily capacity of 560 tons, has placed orders for its plant and machinery with a leading Italian firm.

*

The Central Silk Board has drawn up a comprehensive plan costing Rs. 668 lakhs for the development of the silk industry under the second Five-Year Plan.

*

The department of Atomic Energy, Government of India, will purchase lithium ore (Lepidolite) containing 2 per cent or more Li2/0 available with mine owners and dealers in the country to the extent of 500 tons of lithium at a price of Rs. 25 per lb. of contained lithium, the price being granted for a period of five years.

*

A nine man committee to review the progress of coal production plans in the private sector and to suggest ways and means for achieving the targets set for the industry has been set up.

*

The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during November 1956 totalled 12.358 lakh rupees, according to the data so far available in the Department of Commercial Intelligence and Statistics, Calcutta.

*

The Madhya Pradesh Government has decided to advance a loan of Rs. 2.51 lakhs to the newsprint factory at Nepanagar in the State. The factory went into production in April 1956. Its production is 50 to 55 tons of newsprint a day.

*

The Indian Standards Institution has published an Indian standard for general requirements and methods of test for porcelain insulators for overhead lines with a nominal voltage of 1,000 volts and above.

FOREIGN

In the first eleven months of 1956 Britain's office-machinery industry set up a new annual export record, the eleventh in succession since the war.

*

Turkish and West German interests have signed an agreement for the joint exploration of wolfram deposits in the Ula-Dag area near Bursa, in Turkey.

*

A new Franco-Japanese financial agreement for settlement in sterling transferable francs has been signed. The new agreement replaces the 1948 pact, under which settlement was in dollars. Under the new pact authorised French banks may open foreign Japanese accounts in francs in the name of residents in Japan.

*

Latin America has trebled its steel consumption during the past 20 years, according to the current issue of the Latin American Business Highlights, 'The Chase Manhattans Banks' — Quarterly Review.

*

The Majlis (Lower House) has approved a Bill *authorising the Iranian Government* to borrow $75 million (£26.7 million) from the World Bank, which has already agreed to lend the money. The loan will supplement oil revenues devoted to development projects.

*

According to official data, industrial production in the first ten months of 1956 in Yugoslavia registered the highest growth in the Republic of Bosnia and Herzegovina, in central Yugoslavia, where an 18 per cent increase was registered, followed by the Republic of Serbia and Macedonia where a 12 per cent increase was registered.

*

Swedon increased her oil imports in November, 1956 despite the Suez crisis. She imported 921,000 tons compared with 869,000 tons in October. Her total imports in November were valued at Kr. 1,098 million (£76 million) compared with Kr. 1,093 million (£75.6 million) in October. Her total exports were Kr. 978 million and Kr. 947 million respectively.

*

Tea production in Indonesia during 1956 is estimated to have fallen by 15 per cent. Since 1940 production has approximately been halved.

*

Northern Rhodesia's mineral production in the first 10 months of 1956 reached a record value of £107,949,882 — £11.7 million more than in the corresponding period of 1955 and only £12.6 million short of the annual total for 1955.

*

Negotiations have been completed between Onoda Cement Company and Brazilian interests for the establishment of a Joint Cement Plant in Brazil. Onoda is expected to provide 48 per cent of the capital, largely in equipment and technical aid and the Brazilian side the remainder, principally land and construction materials. Onoda will also supply technicians to operate the plant.

*

The value of world export of manufactured goods in the first nine months of 1956 is provisionally estimated at $23.118 million in terms of U.S. currency.

*

Preliminary figures released recently by the Japanese Ministry of Finance show Japan's foreign exchange holdings as of November 30, 1956 at $1.389 million.



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Special Articles

THE ROLE OF RAILWAYS—II

By

J. E. CASTELLINO and Prof. A. S. DESHPANDE

IT is in this context that the demand for a flexible rating structure acquires meaning and finds expression. Routine dulls initiative; audit rules ensure a play for safety. Experimentation is at a discount. How can there be progress without encouragement for experimentation? And how can there be experimentation without the risk of mistake? Is it a shameful exercise in flimsy casuistry to plead that commercial officers are handicapped by accounting procedures?

There is in the minds of the public a popular conception that the Finance Officer is the watch-dog of the administration. Whether it be true or not, there is ample evidence that the Accounts Officer has come to interpret his role as being primarily that of a person whose function it is to point out financial irregularities. In the course of years, he has developed the traits of a watch-dog, which are primarily to inspect everybody, to discourage the passer-by, to frighten the curious, to block the entrance, to guard against intrusion—in short to prevent activity and to eliminate progress! This negative aspect has unfortunately obtained complete predominance, often to the exclusion of any other characteristic. It is not his fault! It is a misfortune for the administration that such a tradition should have been built up. Nowhere is this form of blight more felt than in a commercial organisation of Government. Railways are 'par excellence' the largest of the commercial undertakings and if there has been a gradual lessening of initiative and a gradual increase in "play-safe" tactics, the responsibility must be placed on the negative role of Accounts and Audit.

The paralysing effect of this attitude is felt in no greater measure than in dealing with requests for concessional rates. It was true—alas!—the Chief Commercial Manager could, within the maximum and minimum laid down by the Railway Board, offer any reduction. That is the flexibility for which there is public clamour. Gradually the powers have been curtailed and today no reduction can be effected, even within the maximum and minimum, without the prior concurrence of the Accounts Department. On paper, this seems to be a nominal requisite; in practice, it is the biggest handicap. For the accounts man is not commercial-minded. To him risk is anathema. He deals with facts and figures, not with probabilities and possibilities. The realm of adventure, the joy of experiment, the sanity of calculated risk—all is to him a closed book. The Commercial Manager cannot be a prophet. He cannot ever guarantee that additional net earnings will be obtainable; but being a sort of a business man, he is prepared to experiment, to make an intelligent guess, to risk his knowledge and experience, to trust in his faith. Unfortunately, governmental procedure is such that even this right is now denied.

Commercialism has been described as an attempt to secure 17 annas of revenue today in place of the 16 annas received yesterday. The Chief Commercial Manager must seek additional traffic, in parliamentary language, with the assiduousness of a Cassanova searching for a new bride. This is, at all times, an exciting process, but tameness is introduced by two factors: inability to carry all the traffic that is offering, and lack of competition by alternative means of transport. So long as capacity falls short of demand, there can be no zeal for commercialism on railways.

The "masterly inactivity" which is a feature of any governmental agency, thus finds a favourable climate and healthy breeding-ground, even without the potency of the Accounts Department's motivation which has brilliantly been summarised in the momentous motto: "oppose, expose, depose"! Red-tape is a familiar cliche. Sometimes, it is propitious to cut the red-tape; but who is there to legislate that red-tape should never be supplied to Governmental Economic Departments—those dealing with industry, trade and commerce—and those dealing with communications—the posts and telegraphs—the railways and the air services.

It is correctly said that an exception only proves the rule. If there is, with one solitary and strange exception, unanimity on any point, it is on the vital necessity for a flexible rating system which can promptly meet the needs of trade and industry. The former Government of Saurashtra were alone in their suggestion that the grant of concessionol rates should be the function, not of individual railway administrations, but of a centralised office. Says the Memorandum:. "We have not advocated a wide range of Station-to-Station rates and where such appear to be justified, we have suggested the creation of a Special Committee or Tribunal for speedy redress and decisions. It is feared that any excessive use of ad hoc decisions will open wide the doors to favouritism and its twin brother, corruption. The present structure should ordinarily obtain in all cases....."

This verdict must indeed make strange reading. The suggestion is worth consideration, but its raison d'etre is questionable. Perhaps, the ex-Saurashtra Government were not aware of the functioning of the Railway Rates Tribunal, where one of the diseases, favouritism, is likely to receive short-shrift. Perhaps, the State Government, recalling the vagaries of policy that governed the many ex-Rulers' Railway systems, pins its dubious faith on a Centralised Committee. Moreover, the suggestion must be viewed in the context of the perennial complaint that "the Railway Board, as at present constituted, has failed to meet the requirements of the business community. This is due to the spirit of ultra-conservatism which pervades the entire bureaucratic system of this country.....". References are frequent and continuous to the contemptuous disregard of public opinion, to the absence of free, dispassionate and progressive mind, to the lack of subservience to the fiscal policies of the country.

Governance by Committee is a device familiar to the Indian people: why not a Committee for deciding on railway commercial policy? The Railway Board could function only as an executive; the individual railway could deal with strictly local demands for aid by way of freight reductions; and this central body could be entrusted with the task of shaping the over-all commercial policy of railways. Such a division of functions would neither decrease nor increase the existing responsibility, now devolving upon the Railway Board and the different railway administrations. To stultify the initiative of the Chief Commercial Superintendent, to deprive him of his responsibility, and to detract from his main function—this would be fatal to the efficiency of a railway. But so to limit his sphere of activity to local problems is to enlarge his opportunity for really effective usefulness to the country of

the area his system serves. Similarly, the removal of responsibility for policy decision would leave the Railway Board free to devote greater attention to executive function. Finally, the setting-up of such an authoritative and independent body would ensure well-balanced co-operation between the Tariff Commission which is the champion of nation-building industries and the Railway Board which controls the most potent and important transport agency in the country.

There is another way of looking at the problem. A multiplication of semi-independent bodies may not be conducive to the inducement of a healthy and dispassionate outlook: there may be a tendency towards holding one's own, an attitude unavoidable when there is too much outside scrutiny and criticism. On that account, to restrict the area of conflict and to induce the urge for co-operation, the enlargement of the scope of the Railway Rates Tribunal may be most salutary. After all, in dealing with a complaint of the unreasonableness of a rate 'per se,' a fairly detailed knowledge of the internal working of railways is obtained. To achieve the objective of solvency, an intimate study of the methods of obtaining revenue as well as of controlling expenditure is necessary. What better agency than the Tribunal to undertake the examination of a recommendation of the Tariff Commission or a resolution of a Federation of Industries, or a request from a State Government? Such an amplification of powers seems eminently desirable in the interests of the railways, of the users, and of the nation.

If this involves too drastic a change, if it has the effect of diminishing the responsibility of the Ministry and of stultifying the powers of individual railway administrations, if it imposes another tier in the already multiple hierarchy of organisation, then the least that must be done is to infuse enthusiasm for judicious risk-taking and experimenting and to kindle the torch of initiative that has been dimmed by antiquated procedural and accounting methods. The tempo of development is going to be fast, and a failure in transport is unthinkable. Prices will rise; and railway freight charges must also go up, not, of course, 'pari passu' with the index of prices but inevitably and perceptibly following the rising curve. The expansion in the network of railways will impose a severe strain on finance: replacement costs will be heavy, and the temptation to link freight with capital expenditure will be great. At the outset, income will not keep pace with expenditure; the increase in traffic will be slow and, perhaps, the increase in revenue will not be proportionate with the rise in traffic; there will also be the heavy burden of interest charges and of depreciation costs. But not for a moment must the public utility character of the railways be forgotten nor must the narrower interest of the railways be allowed to dominate over the wider needs of the country. If the railways can achieve a synthesis of the commercial efficiency of a private undertaking with social obligations of a nationalised industry in a welfare State, then indeed will they deserve well of the country.

India is now on the threshold of an era of development. Politically, the people have come into their inheritance; socially, there is an inspiring awakening; economically, industrialisation and higher living standards are the objectives. None of these ideals can be realised without an efficient railway system. The services which railways can render in annihilating distances, in preventing famines, in facilitating commerce, in fostering industries, in eradicating social prejudices, in assisting the administration of government—these services are incalculable in their worth.

For transport, there are many symbols of progress. There is speed—for faster tempo of life; there is availability—for prompter response to varying needs; there is power—for greater capacity; there is economy—for cheaper satisfaction of demands; there is safety—for freedom from fear; there is profit—for social gain; and there is service—for better living. To the people's railways, these symbols represent both a fulfilment and a challenge!

DEFICIT FINANCING

(CONTRIBUTED)

DEFICIT financing is a concept which has played an important part in economic literature and policy during the inter-war period. In economically advanced countries it has traditionally been associated with war finance or as a weapon for fighting depressions by compensating deficiencies in private investment. It is only recently that deficit financing has come to be widely regarded as a method of financing development of economically backward areas for reasons which are now well known.

The failure of real income, employment, and output to keep pace with the increased money incomes is more marked in an under-developed economy. The reasoning advanced is two-fold: in the first instance the demand generated by investment in such economies is very large due to the high marginal propensity to consume. Secondly, output also responds less to changes in effective demand due to the predominantly agrarian nature of these economies where production is for self-consumption rather than sale in the open market, and the absence of excess capacity in consumption goods industries and the inelasticity of the supply of working capital required to increase production. These two assumptions however require qualification. Even though the demand generated by increased money incomes tends to be large, if stocks are available to soften the impact of the first round of expenditure, then increased supplies for the succeeding rounds can be got by using for this purpose the very additions to investment which generate the increased demand.

Yet the inflationary potentialities of deficit financing should not be underestimated either. In the ultimate analysis the effectiveness of deficit financing will depend on the relevant answers to the following questions. (1) If prices rise, who will get the inflationary profits and what will they do with it—spend it on consumption, speculation, fixed capital, hoarding, or on government bonds? (2) Can the output of consumer goods expand rapidly or will the first stage of inflation be too long? (3) Can the prices of essential commodities be controlled easily? (4) Is there a strong trade union movement which will turn a demand inflation into a cost inflation? (5) Can the foreign exchange situation be safeguarded? (6) Can the tax structure mop up a large proportion of money income as fast as it is generated? (7) What is the pattern of investment and what is the gestation period between the undertaking of investment and its fructification? It is against this theoretical background that we have to study the effects of deficit financing in the second Five-Year Plan.

Out of the total proposed investment of Rs. 4,800 crores in the public sector, 2,050 crores or 40 per cent remain uncovered on the basis of existing income. Of this 450 crores are expected to be covered by additional taxation and 1,200 crores by deficit financing. The Plan does not however indicate how the remaining 400 crores is to be raised.

The estimate regarding taxation appears somewhat optimistic. It has been estimated that during the last 5 years, the Government has increased revenue by about Rs. 78 crores i.e. an annual rate of increase of about 13 crores. But if Rs. 850 crores is to be raised by revenue measures this means that the rate of increase must be raised to 11 times this level. This will be very difficult considering that national income will rise by only 25 per cent during the next 5 years. Moreover the State Governments, it is estimated, cannot raise more than Rs. 160 crores, thus leaving 600 crores to be raised by the Central Government through additional taxes. Expert opinion however has been that additional revenue cannot exceed Rs. 400 crores—thus leaving the estimated uncovered amount at about Rs. 1,650 crores or Rs. 330 crores per annum.

The prospect of meeting such a considerable gap through deficit financing has naturally evoked keen discussion, and the consensus of opinion has been that the amount envisaged is beyond the economy's absorptive capacity. It must be remembered here that the secondary expansion of credit by banks must also be considered when estimating the impact of deficit financing. It has been estimated that if the present ratio between currency in circulation and deposit money remains unaltered, money supply will increase by about 66 per cent during the Plan period while national income will increase only by 25 per cent. Thus even if we allow for increased monetisation of the economy and increased demand for cash as levels of incomes and standards of living improve, and the holding of cash comes within the reach of a larger number of people, the inflationary potentialities of deficit financing are considerable.

The extent to which deficit financing can be used in the second Plan without fear of inflationary consequencies will depend, on numerous factors such as the scale of investment through deficits, the purposes for which these deficits are incurred, the extent to which additional incomes are mopped up by increased taxation, loans etc., the response of consumer goods production, the response of money wages to prices, and the effectiveness of control of the prices of basic necessaries during the period of investment. The scale is also likely to be governed by the effect on the demand for imports and value of exports.

Of all these conditions, the most crucial is that of the supply of consumer goods especially of food and cloth which cover more than 70 per cent of the average family budget. The recent revision of the target of food production from 18 to 40 per cent serves to emphasise the fact that the importance of food stocks is realised. If these targets are achieved then the danger of a rise in food grain prices will not be great. But the position regarding textiles is, however, less encouraging. The ability of the recently announced textile policy to meet the increasing demand seems very doubtful. Apart from the fact that the postulated compromise between the mills and handloom industries may prove unworkable, great practical difficulties will also have to be faced, as regards installing the requisite number of Ambar Charkhas and powerlooms on a decentralised basis. This may seriously jeopardise the supply of cloth in the domestic market or reduce exports at a time when our export earnings are already inadequate. Even with regard to other consumption goods, the dependence on small-scale and cottage industries seems rather excessive, since the impact of this programme will be slow in manifesting itself and may not keep pace with the rise of incomes. This serves to highlight the need for commodity balances and the necessity for the State to have detailed data regarding the expected increase of disposable income and the consumption habits of different consumers. It is necessary, therefore, to undertake detailed studies of consumption habits of small groups of consumers rather than only on an all-India basis. If targets for commodity production are based on this, the results are likely to be more satisfactory.

We now come to another factor on which depends greatly our ability to curb inflationary pressures resulting from deficit financing. This factor is the extent to which additional incomes can be mopped up through taxes and loans. In this year's budget, in spite of various changes in direct and indirect taxes, the total addition to revenue is expected to be only Rs. 35 crores. This shows that with the existing tax structure, the scope for augmenting tax revenues is not very great. Here Prof. Kaldor's suggestions are of considerable significance. He points out that despite a reduction of the marginal rate of income tax from 92 per cent to 45 per cent, there is scope for increased tax revenue by about Rs. 800 crores. His proposals need examination.

Coming to price control, we find that the need to reorientate the existing price policy is imperative. Our price policy should aim at preventing sharp fluctuations in the general price level, to stabilise prices of certain important agricultural commodities within reasonable limits, to maintain parities between agriculture and industrial prices and to reduce seasonal fluctuations. This implies that the present policy of watching only the wholesale price index must be replaced by a policy which watches other indices such as prices of important manufactures demanded by agriculturists, the cost of production, wages, cost of living etc. In any price control scheme, buffer stock administration and provision of warehousing schemes are also of crucial importance. For the efficient administration of controls, the training of personnel is essential since an efficiently administered price control policy will not only check prices but also increase the marketable surplus in the agricultural sector. As a last resort the Government must be ready to adopt physical controls like rationing, procurement etc.

The role of monetary policy is also of great significance in this context. Far-reaching changes have been introduced in the powers of the Reserve Bank of India by the Reserve Bank of India Amendment Act, 1956. This Act endows the Bank with a greater degree of flexibility by freeing gold and foreign exchange reserves from the rigid relationship with note issue. As the powers of banks to increase credit will progressively increase under the impact of deficit financing, the Reserve Bank has been armed with new powers to fight the inflationary expansion of bank credit—greater variability of reserve ratios has been allowed (5 to 20 per cent for demand deposits and 2 to 8 per cent for time deposits). The Act does not however endow the Bank with powers of selective credit control. This seems a regrettable omission since without this the Bank cannot exert pressure or provide relaxation at strategic points.

With the relatively meagre data available it is obviously difficult for us to say with any degree of precision whether the volume of deficit financing in the second Plan is too large or not. But we can safely say that the increasing requirements of a developing economy, the spread of the monetised sector, the expanding employment and real income provide a reasonable guarantee against a very rapid rise of prices. In fact, the danger of an inflationary spiral impeding the implementation of development plans is less than the danger that investment in certain projects may have to be curtailed due to administrative and technical bottlenecks and non-availability of foreign exchange resources. This is a problem which deserves greater attention and consideration.

Letters to the Editor

THE END OF THE DETENTE

Sir,

The column by your "Special West European Correspondent" is a reliable source of mental stimulation for the student of international relations. If I were a high-ranking U.S. State Department Official, I would be especially grateful to this correspondent, for in such articles as "The End of the Detente" (Nov. 16) one finds just the sort of neat generalizations and tidy historical thesis for which we in America have been so eagerly groping during the past several years in our efforts to construct an intelligent foreign policy.

I wish, however, that you would instruct the columnist to write at lease one more article in this fascinating series. He might entitle it "Uniform Levels — or, where will Africa, Asia, and Europe be when Russia and America have finished with them?" I am sure that Soviet and American policy-makers both would appreciate his dealing with such a topic, because they must be wondering just exactly what is to be done with Africa and Asia, when, as a result of gift-giving competition, these areas have developed into strong economic, political, and military units.

Admittedly such a discussion would stray slightly from purely West European subjects, but since your columnist has implied that Europe is ultimately to be dumped into the same bin with Africa and Asia, there is conceivably some topical connection, and, moreover, the basic problem in dealing with these areas will be the same: namely, how to control dynamic peoples.

"The Eastern Economist" would be rendering a great service — in a truly neutral fashion — by charting out for us that last phase of long-run world policy. Its presentation is eagerly awaited.

Yours faithfully,

JOHN K. ARMSTRONG

DELHI.

November 21, 1956.

THE COMMONWEALTH

Sir,

I do not agree with you when you say in your edition of December 7, that "serious cracks have appeared in the Commonwealth structure." Australia and New Zealand have voiced no criticism of the British action in Egypt, neither has South Africa nor have the West African territories now on the threshold of Commonwealth states. It is true that the Canadian Government was critical but what you do not say is that it was roundly condemned by the Canadian Opposition, and by a large section of the Press and public opinion. Both Mr. Casey of Australia and Mr. Bandaranaike of Ceylon disagreed with Mr. Lester Pearson on this very point in a television programme in Canada. So where are the serious cracks? It is true that India has been most critical. It is also true that India and Mr. Krishna Menon have denied Britain and France the understanding so readily given to Russia over affairs in Hungary. Every untruth or half truth concerning the motives for, and the achievement of the British action in Egypt, has received wide publicity in the Indian Press but only nominal space has been accorded to the British view and the statements of British Ministers.

What do you think should have happened? Accepting the build-up of Russian Military Equipment in Egypt and elsewhere in the Middle East, the declared Egyptian policy of liquidating Israel, the fact of the Israeli advance into Egypt and the success of its arms there; would you have accepted an invasion of Egypt across the Canal and the certainty of a general war in the area with Russian participation, while Mr. Krishna Menon droned on and the United Nations passed resolutions as powerless to influence the antagonists as the resolutions condemning Russian action in Hungary? I agree that there is a debating point to be made about the lack of previous consultation, but I should have thought the record of Sir Anthony Eden and the British people was sufficient to earn for them with the Indian Government and the Indian Press at least, an acceptance that the motives which prompted the action were not the base ones that have so readily been attributed to them.

Nowadays, it is generally agreed that Britain and France should have gone to Czechoslovakia's aid in 1938; at the time many honest men disagreed as to this. I think that history will show that the action taken by Briain and France in Egypt was the right one.

Yours faithfully,

P. A. F. LUGG

KANPUR,
December 22, 1956.

[Opinions apparently differ—Ed.]

RECORDS & STATISTICS
(QUARTERLY BULLETIN)

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

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BUSINESS NOTES

AUSTERITY IN IMPORTS

AN AUSTERE policy for import licensing during the first half of 1957 was a foregone conclusion in the light of the trend in the deliberations at the last meeting of the Import Advisory Council. The fundamental reason necessitating the application of severe cuts to the import bill is the rapid decline in India's sterling balances which fell from Rs. 742 crores in January to Rs. 536 crores in November last year. The widening gap between imports and exports—reckoned at Rs. 189 crores in the first eleven months of 1956—is partly due to the declining level of exports in value but essentially to the pressure of developmental imports. The statistical position demonstrates that vigilance was not relaxed in import licensing last year and priorities as well as allocations of foreign exchange were prescribed with due care and prudence.

If it has become incumbent to apply the axe ruthlessly to over 500 import items, it is because import licensing in the current half-yearly period must be related strictly to reasonable anticipations regarding the holdings of sterling and export stimulation. Eight more items have been brought under the export promotion scheme. Effective remedy, however, is to be sought in curbs on imports. The hammer has fallen heavily on the liberal licensing scheme and new-comers. All in all, a saving of Rs. 30 crores is expected in the import bill during the six-month period. The cuts have been determined to a certain extent with reference to the potential of the indigenous industry to fill the gap in supply, stocks presumed to be already in hand and shipments due under licences already issued. The first factor really matters from a long-run view. It is to be trusted that no assistance will be spared to stimulate home production. Import austerity in the consumer sector imposes a task on the Government to keep a firm grip on the price line.

CLOTH POLICY

IN HIS address to the annual general meeting of the Delhi Cloth and General Mills Co., Ltd., Sir Shri Ram has taken pains to do some plain speaking with regard to the cloth position in the country. He has referred to certain basic facts which certainly need reiteration. The cotton textile industry, as one of the more important foreign exchange earners, has now a greater responsibility as the anticipated gap in the foreign exchange resources for the second Plan has further widened. But while production has gone up year after year, exports have been declining and indications are that in 1956-57 the country will export only about 127 out of every 1,000 yards of mill-cloth produced as compared to 151 yards in 1954-55. One reason for the decline in export is obvious. It is the rising demand in the home market making it more profitable for mills to sell there. At the same time, the policy of the Government in not allowing the expansion of the mill industry on the weaving side has prevented the supply of mill cloth from expanding in proportion to the growth of internal demand. Hence the paradox of the urgent need for more cloth exports and the continuing diversion of exports to the home market eager to devour the ever-larger supplies.

What is the remedy? It obviously lies in raising the target to at least 20 yards per capita in 1960-61 instead of the 18.5 yards as a result of the upward revision now announced. All arrangements must be made to achieve the target which must include sanctioning of new weaving capacity in the mill sector for the home market, say about 30,000 looms, both plain and automatic. Sir Shri Ram also suggested that while this policy to increase production of mill cloth was being worked out, it was necessary to maintain and add to exports. Export performance must not merely be the sum total of the efforts of a few units, but the reflection of an industry-wide effort. It means that the task of exporting cloth should be distributed more equitably among all composite mills by insisting on the export of a certain minimum percentage of output of cloth. The Government's policy of allowing installation of 14,600 automatic looms earmarked for exports is a step largely in the right direction though several months may pass for the output of these looms to be fully available for export. It is time Government saw its way to a more realistic policy to increase production of mill cloth for satisfying internal requirements. Present preoccupation with providing artificial restraints on the mill industry cannot but injure the larger national interests.

TELCO FACES A CONFIDENT FUTURE

INFORMED OPTIMISM was the key-note of Mr. J. R. D. Tata's presidential address to the last annual general meeting of the Tata Locomotive and Engineering Company. The Tariff Commission's report on the inquiry into the prices of locomotives and boilers manufactured in Telco should serve to demonstrate that the difficulties of the factory arise mainly from historical reasons in so far as the labour element of costs is concerned as well as from the present inadequate scale of manufacture. The Tariff Commission has accepted the Company's contention in regard to the incomparability of costs of imported locomotives with those of Telco. Comparison with Chittaranjan's costs has disclosed that Telco's costs are higher and efficiency of labour is lower. Re-deployment of excess labour and reduction in certain incentives to labour has been urged. The former course would not be necessary in view of the possibility of absorbing surplus force in the expansion programme and as for improved efficiency active co-operation of labour and the trade union is to be sought. The Tariff Commission has fixed the prices for the past two accounting periods of dispute as also prices for the next two years ending March 1958 on a sliding scale on assumptions as to increasing output and productivity. Mr. Tata feels confident that unless unforeseen factors intervene the cost and output targets laid down by the Commission should prove capable of achievement.

The programme of expansion to achieve an annual target of production of one hundred complete locomotives is in progress at a satisfactory rate. The most outstanding development is the steel foundry which will go into production in mid-1957. Imported steel castings will be substituted by the foundry's own products. The management can claim legitimate credit for its prudent financial policy in building a depreciation fund on an adequate scale throughout the past. The shareholder's prospect of dividend does not stand obscured by accumulation of arrears on this count. The expansion programme would necessitate additional capital to be raised with Telco's performance promises to attract. The Tariff Commission's findings have fully established that the concurrent operation of automobile division has not caused any harm whatsoever to the manufacturing programme of locomotives and boilers. On the contrary, it has been of great value in absorbing part of the overheads. An impressive phase of expansion awaits the automobile section. Telco faces the challenge of the future with confidence and determination in both the loco and auto divisions.

PROBLEMS OF CHEMICAL INDUSTRY

THE UNION MINISTER for Heavy Industries, while inaugurating the sixth annual session of the Indian Chemical Manufacturers' Association, emphasized that the country was entering a new chemical era under

the second Five-Year Plan. The fact that the investment outlay on chemical industries in the second Plan is Rs. 125 crores as against Rs. 26 crores in the first Plan tells its own story. The rate and quantum of progress desired are thus a challenge to the industry that will have to strain every resource to fulfil the targets under the Plan. It is to this aspect and the various problems confronting the industry that Lala Charat Ram, President of the Association, turned his attention in his comprehensive and cogently argued presidential address.

The chemical industries achieved a great measure of diversification during the first Plan period and the broadening of the base has been accompanied by an impressive general growth in output and installed capacity. Just to mention two examples, the output of nitrogenous fertilisers rose from 9,000 tons in 1951 to 85,000 tons in 1956 and that of phosphatic fertilisers from 9,000 tons to 20,000 tons. The President explained that by 1960-61 a better balance 'inter se' and a manifold increase in capacity and output of different types of chemicals will have been achieved. But many of the targets in the nature of things could only be tentative. For example, the upward revision of food production targets may step up the targets for fertilisers and similarly an increase in the per capita cloth supply will push the targets for dye-stuffs, caustic soda, etc. further. He, however, expressed confidence that flexibility was the strength of the Plan and the chemical industry in the private sector would be in a position to meet the demands made on it.

Reviewing the problems facing the chemical industries, Lala Charat Ram pleaded that restrictions on import of dye-stuffs should be imposed after ascertaining the capacity of a plan to produce after due inspection rather than by demanding prior accumulation of physical stocks as at present. The present practice undoubtedly caused much hardship for the industry and retarded the rate of development. With regard to the pharmaceutical industry, the President referred to the alarming rate of registration of patents by foreign manufacturers and the excise regulations which are often vexations in operation. Considering the substantial contribution made by the industry in many lines of manufacture, it would be but proper that Government should give greater encouragement to its consolidation and further progress. On the question of plant capacity, Lala Charat Ram pleaded for a bold approach. Small-sized chemical plants, he averred, were expensive in their original cost, continuously expensive in the cost of their output and a permanent liability to the country. Hence his suggestion was that the conception of economic size of plants should be stepped up considerably even though for some years there was some idle capacity in the developing economy of the country.

INDIA STEAMSHIP: EXPANSION PROGRAMME

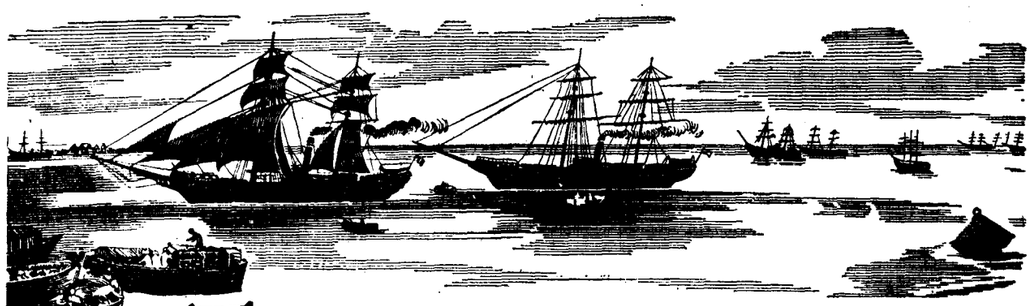
HAVING CONSOLIDATED its position on every front, India Steamship is now forging ahead with a vigorous programme of expansion. Its financial performance during the year ended March 31, 1956, is reassuring. It discloses that the company has emerged through the phase of tightness. Sir A. Ramaswami Mudaliar broke the happy news to shareholders at the last annual meeting that total dividend, including the interim dividend, of Rs. 1-0-0 per ordinary share would be paid for the last year. This is a significant feature in the company's finances following an interlude of no-dividend for two years. The freight earned improved from Rs. 4.01 crores in 1954-55 to Rs. 5.26 crores in 1955-56. Net profit amounted to Rs. 38.73 lakhs after providing the full depreication amount of Rs. 41.50 lakhs. The increase in freight earnings is attributable partly to the larger fleet and in a lesser degree to quicker turnround of ships. Slight improvement is visible in regard to dock labour consequent on the implementation of the Vasist Committee's recommendations. The piece-rate system of wages is yileding encouraging results in Bombay, but it has not been extended to Calcutta and Madras. The Government need to take serious note of the Chairman's warning that quicker improvement in dock labour's attitudes, berthing facilities and rationalistation of cargo clearance are conditions precedent to a bold programme of industrialisation.

Sir Ramaswami Mudaliar has devoted a good part of his speech to accelerated expansion of Indian mercantile marine. India Steamship provides an encouraging instance of development with stability. While it can look forward confidently to fulfilling its target of 18-ship fleet before 1960, its financial management is well tuned to meeting its growing obligations. The Chairman has urged the Government to accede to the demand of shipping companies for further liberalisation of the terms of loans. Future development of the country's merchant shipping is to take place essentially in the direction of distant waters. The progress which has been recorded so far by Indian shipping against all odds is proof that the requisite elements of dynamism are present in it.

STRUCTURAL ENGINEERING WORKS

STRUCTURAL ENGINEERING WORKS LIMITED offer a typical case of the achievement of free enterprise in the medium sector of industry. Its performance over the period of the last thirteen years certainly entitles it to appreciation. It is generally assumed that success in medium scale units is a matter of comparative ease. The tribute which Mr. A. D. Shroff, Chairman, paid to the founder and the company in his annual presidential speech on December 31 last is richly deserved. What is more important, however, is the fact that the struggle which this company had to wage should serve to demonstrate the inequity of bringing companies like this under what Mr. Shroff was constrained to call 'the mischief of section 23-A of the Indian Income-tax Act'. He is right when he says that a distinction must be made between such companies and companies which are formed basically to avoid payment of larger direct taxes. In the same way the experience of this company also demonstrates that the penal super-tax on dividends, unscientific and illogical as it is, ignores the average return earned by shareholders over a period of years.

The directors of the company have recommended a dividend of Rs. 15 for the ordinary share for the year ended June 1956. This dividend is below the expectations of a section of the shareholders. Since the start the average dividend distributed comes to 4.61 per cent. Mr. Shroff has emphasised that the stringent conditions in the money market and difficulties of getting adequate funds for new capital and working capital from the banks have made it obligatory to plough back substantial part of the profits into investment. An important phase of expansion awaits the company in the immediate future. It is proper that shareholders should be asked to make sacrifice in the interests of the expansion and future prosperity of the company. The production capacity of the unit is to be increased, according to present indications, from 350 tons per month to 750 tons per month. On the scores of quality and types the company's products have given satisfactory account. It is because of this high standard of production that it has been able to negotiate on its own contracts for the manufacture of a sizable quantity of pipes with several municipalities.



This story begins in 1888...



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*, *Erasmic* and *Gibbs* products, *Himalaya Bouquet* toiletries, *Rexona 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.

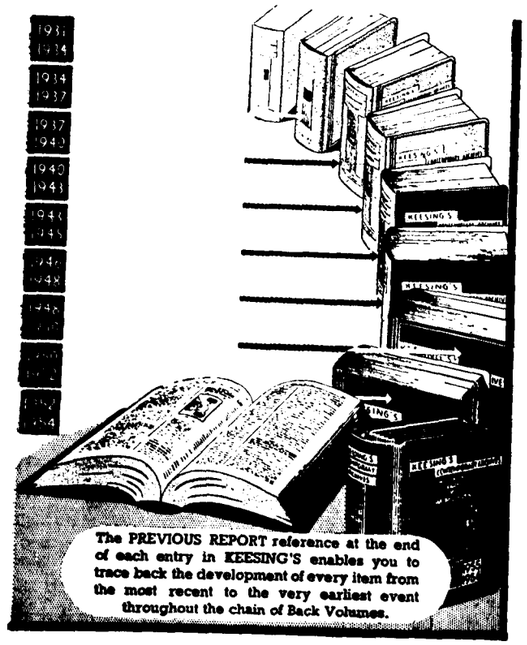
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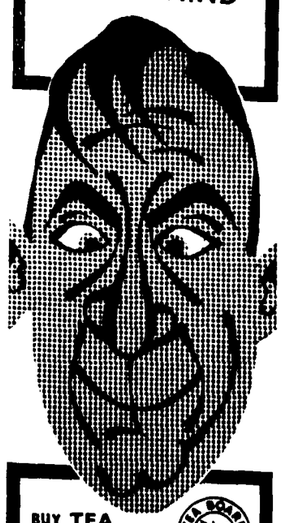
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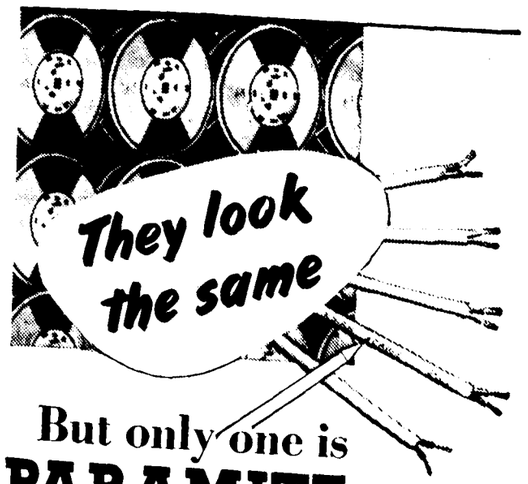
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Company Meeting

TATA LOCOMOTIVE & ENGINEERING CO., LTD.

Speech delivered by the Chairman, Mr. J. R. D. Tata, at the Annual General Meeting of the shareholders of the Company on Friday, the 28th December, 1956.

Ladies and Gentlemen,

It has been a matter of satisfaction to my colleagues and to me that after the long period which it has taken the Company to surmount the manifold problems which beset its development and the more recent uncertainties in respect of the prices for locomotives and boilers, we have been able to present to you this year a report and accounts which, I am sure, will have met with your approval.

I wish, at this stage, to thank the shareholders for their continued confidence and support notwithstanding the disappointingly long period they have had to wait before they could earn a return on their investment. While we live in uncertain and changing times, during which it pays to be cautious, I believe that the shareholders may henceforth view the future with some measure of confidence. One of the most encouraging elements in the situation, from the shareholders' point of view, is the fact that the Company has been able throughout to make full provision for depreciation so that there is no burden of arrears of depreciation to come in the way of a fair and steady return on the shareholders' investment. At the same time, it is necessary to be realistic in any assessment of dividend potentialities in the immediate future. For instance, in comparing, the financial results now before you with those of the previous years, and in basing on them any estimate of future earnings, shareholders should remember that the report and accounts for 1955-56 include the whole of the profits and some of the overheads of the Locomotive Division in respect of two years. They should also keep in view the fact that the Company faces a heavy programme of capital expenditure in the next few years and that, because of the nature of its business and operations, it will require an exceptionally large amount of working capital. Both these factors will necessitate conservation of resources.

The most important development since we met last year has been the final settlement of the disagreement which had arisen between the Railway Board and the Company on locomotive and boiler costs and prices to which I devoted a large part of my speech last year. As you were then informed, the matter was, by agreement between the Railway Board and the Company, referred to the Tariff Commission.

In view of the importance to us of this inquiry and the Commission's findings, I think you would wish me to amplify here the brief references made in the Directors' Report to the principal findings and recommendations of the Tariff Commission.

With the assistance of an expert adviser, the Commission made a thorough and detailed investigation of the operations of your Company's Locomotive Division. We are grateful to them for their impartial and constructive approach to the problems placed before them and for the sound and practical recommendations they have made. The inquiry has served a valuable purpose not merely in bringing about a settlement between the Railway Board and the Company in the matter of prices for locomotives and boilers but also in clarifying a number of points about which considerable misunderstanding had prevailed in the past in some quarters and in setting at rest, once and for all, doubts about the Company's progress and efficiency.

In these days, when Government has almost unlimited powers with which to enforce its will, it is gratifying and re-assuring to note that, in an industry in which Government is itself a competitor as well as the sole customer, it decided to refer a dispute about costs and prices to an impartial statutory inquiry and abided fully by the resulting recommendations even though they went, to some extent, against its views.

We have all along been anxious to serve Government and the country well in regard to the supply of locomotives to the Indian Railways and we deplored, no less than the Railway Board did, the causes, mostly beyond our control, which delayed the full fruition of the project and resulted in relatively high costs. This detailed inquiry has largely cleared the air between the Railway Board and ourselves and we look forward to a period of close and fruitful co-operation in the further development of the locomotive industry.

Coming specifically to the findings and recommendations of the Tariff Commission, the Commission have supported the view I expressed in my speech last year that there was no sound or fair basis for comparison between the cost of production at Tatanagar and the prices of imported locomotives. The Commission therefore examined Telco's operations and costs of manufacture with reference to those at Chittaranjan. On this footing, they have come to the conclusion that, by and large, and making proper allowance for all relevant factors, Telco's costs do not compare unfavourably. The inquiry has, however, revealed that labour efficiency in our Works is lower and labour costs are higher than they are at Chittaranjan. The Tariff Commission has therefore suggested that there is need to re-deploy excess labour and to reduce the level of incentives paid to some of the workers. We were aware of our shortcomings in this respect which were largely due to historical reasons, and we hope that our workers and the Union will co-operate with us in removing the causes for the unfavourable comparison which has been drawn between their productivity and that of their brother workers at Chittaranjan.

The report has fully established that the manufacture of locomotives and boilers has at no time suffered from the concurrent undertaking of other lines of production about which doubts had been expressed in the past. In fact, the inquiry has shown that such additional activities have been helpful in absorbing a substantial portion of factory overheads which otherwise would have been an additional burden on locomotive costs.

The Tariff Commission have recommended and Government have accepted certain prices for locomotives and boilers not only in respect of the previous two periods on which the Railway Board and the Company failed to reach agreement but also for the subsequent two years ending 31st March, 1958. These prices have been fixed after making allowance for a rise in output and productivity as well as for the cost-reducing

advantages of long-run orders for locomotives to be placed on the Company. The prices, which are on a sliding scale, will secure to the Railway Board a progressive reduction in the cost of the locomotives purchased from us while enabling the Company to make a reasonable profit. Prices for deliveries after March 1958 will be fixed after another cost investigation at the appropriate time.

Before I leave the subject, I may say that, barring unforeseen circumstances or delays in the delivery of equipment and materials over which we have no control, we are confident of achieving the targets of production and costs set before us by the Tariff Commission. The expansion of the locomotive Division to a capacity of a hundred complete locomotives per year, to which a reference was made in last year's Report, is well under way and is now expected to be completed a few months ahead of schedule. It will play an important part in reducing costs.

The steel foundry, which will also reduce costs and end our dependence on imported steel castings, has made excellent progress during the last year and is expected to start production towards the middle of 1957. In fact, the melting furnaces have already started producing steel ingots. I regard the establishment of this steel foundry as an important landmark in the development of the Company's overall activities. Steel castings form an increasingly important proportion of heavy engineering products and the existence of a modern and highly equipped steel foundry in India, capable of turning out large and intricate castings of the highest quality, will render valuable service to the Indian heavy engineering industry.

India is today one of the few countries left in the world still dependent mainly on steam for its rail traction. In most parts of the world, steam locomotives have given way to diesel locomotives with either electric or hydraulic transmission. It seems inevitable that a similar change over will in due course take place in India, although the process may be spread over many years. With the versatility built into our plant and the human skills and experience we have developed over the years, our Company will be especially well fitted to play an important role in the "dieselisation" of the country's railroad system and I hope, when the time comes, we shall be given an opportunity to do so.

The Automobile Division has continued to make satisfactory progress. The output of Tata-Mercedes-Benz truck and bus chassis has shown a steady increase. The target rate of 6,000 units per year has been attained, and in fact exceeded since the close of the year under review. The demand for Tata-Mercedes-Benz vehicles continues to outstrip supply. In view of this and of the growing need for additional road transport under successive Five-Year Plans, we are, at the instance of Government and in consultation with Messrs. Daimler-Benz, framing a scheme for increasing further the capacity of the Auto Division.

We are continuing, year by year, to install the most modern equipment and machinery, including highly specialised machine tools, as part of our phased programme of manufacture. A start has been made with the construction of the engine shop. As stated in the report, the capacity of the alloy iron foundry which is expected to come into operation early in 1958, has been substantially increased in view of the growing demand for the Company's trucks and our plans for further expansion. We have so far fully lived up to the promises we made to Government in respect of the content of indigenous manufacture in our five year phased programme, and I have no doubt we shall adhere to that programme in the future.

The gratifying progress the Automobile Division has made is in no small measure due to the continued assistance we are receiving from our partners, Messrs. Daimler-Benz, to whom I take this opportunity of expressing our thanks and appreciation. Our thanks are due also to the Government of India for the realistic and far-sighted policies they have adopted towards the automobile industry. The progress made by the industry in general and by our Automobile Division in particular provides, to my mind, a remarkable example of what can be achieved with the help of well conceived and consistently applied policies.

Government have rightly left this industry to free enterprise. They have set phased targets for indigenous production, controlled imports and granted both assistance and adequate freedom of action to individual manufacturers to exercise independent judgment and initiative in their respective fields while retaining a valuable element of competition within the industry. I earnestly hope Government will adhere in future to these policies which are best calculated to promote the rapid development of industry, to conserve foreign exchange, to supply a vital transport need of the country and to protect the user from unduly high prices.

Now that the initial technical and staff problems concerned with the establishment of the automobile and locomotive industries have largely been solved with the assistance of our partners Messrs. Daimler-Benz and our technical consultants Messrs. Krauss-Maffei and Messrs. Henricot, we anticipate no serious technical difficulty in the further development of our activities. Our main problems in the coming years will lie in the procurement of adequate finance and in the development of technical and managerial personnel.

Between the existing programmes and the expansion schemes already launched and under contemplation, the Company will require, within the next five years considerable additional funds for capital expenditure and working capital. While a major portion of the requirements will be found from allocations to depreciation and other reserves and, in respect of working capital, from borrowings, some addition to the Company's share capital seems inevitable in due course. Proposals in this regard will be considered by your Directors during the coming year.

As regards the development of technical and managerial skills, the growth of our business and its value to the community will depend largely on the reputation we establish for our products over the years. This reputation will itself depend on the skill and integrity of the many individual engineers and craftsmen engaged in the manufacture of our products. The importance, not only to ourselves but to the industrial development of our country as a whole, of the creation of such men cannot be over-emphasized. If lasting success is to be achieved in India's industrialisation, resources must be developed in men as well as in raw materials and equipment. No effort should therefore be spared in inculcating in our workers, engineers and industrial administrators the sense of responsibility, the integrity of purpose and the dedication to, and pride in, high standards of quality and precision which create the traditions and reputation of a country's industrial products throughout the world. This is one of the most important and difficult tasks facing any country attempting to force the pace of its industrialisation and we have, from the start, attached a great deal of importance to this task in our own organisation. We have achieved a fair measure of success and we shall continue our efforts.

The Company's relations with labour continues to be reasonably satisfactory. I have already referred to Tariff Commission's finding that, in certain sections of the Locomotive Shops, there is an excess of labour and efficiency is low. As our workers have, by now, acquired the skills and experience required for their particular jobs, the need for additional men to maintain output no longer exists. Fortunately, our expansion in various directions provides opportunities for deploying excess labour where it exists. I hope that in their own interests as well as those of the country our workers will appreciate the importance of achieving an improvement in productivity.

An efficient and well led organisation requires amongst the many elements that make for contentment, adequate housing and town services. Although the provision of such housing and services is a particularly heavy burden on new and growing industries, it cannot be evaded and we have consistently provided, alongside our programme of Works development, a housing programme to keep pace with the requirements of our employees. We have already spent approximately Rupees two crores on our township. We shall need to add further to the township during the next five years.

In conclusion, it is my privilege once again to express my thanks and those of my colleagues to all members of our staff, from the General Manager downwards, for the year's excellent work. Their initiative and the hard work they have put in have been principally responsible for the Company's progress reflected in the Report and Accounts before you.

NOTE: This is not a report of the proceedings at the above Annual Meeting.

Company Meeting

THE STRUCTURAL ENGINEERING WORKS LTD.

Speech of the Chairman Mr. A.D. Shroff at the Annual General Meeting of Structural Engineering Works Ltd., on 31st December, 1956.

The Directors' Report and Andited Accounts for the year ended June 30, 1956, have been in your hands for some time and I am sure you will find the results satisfactory.

As pointed out in the Directors' Report, both the Works at Sewri and Mulund continued to be fully occupied. As a matter of fact, the demand for structural fabrication capacity in the country has been insistent and your Directors are seriously considering increasing the capacity from 350 to 750 tons per month. The Mulund Works are busily occupied with the completion of the Vaitarna-cum-Tansa Pipeline Scheme. I am glad to inform you that the Company has been able to secure by direct and independent negotiations with the Bombay Municipality the work relating to the fabrication and laying of pipes for the third stage for about 15½ miles. It is a matter of considerable gratification that the authorities concerned have been fully satisfied with the type and quality of work executed on this pipeline scheme. Besides, the Company is negotiating with other municipal authorities in the country for substantial contracts of a similar nature, some of which are likely to fructify before the end of this official year.

The Company has now completed its thirteenth year and it would not be inappropriate if I refer to some of the salient features in its operations during this period. I am confident that the shareholders of this Company will look with pride upon the success of this Company as an achievement of free enterprise in the medium-scale industry. It must, however, be put on record that this achievement is very largely, if not entirely, due to the enterprise, pioneering spirit and faith of Mr. N. B. Bhagat, the founder of this Company. Starting with very modest means and with the assistance of the late Mr. M. C. Ghia and the Investment Corporation of India, the embarked on this industry in 1943 when, being unknown to the investing public, he could not gather sufficient capital. But his faith in the ultimate success of the Company and the persistance with which he fought the difficulties in the initial stage have fortunately brought this Company to its present stage of strength and prosperity. Perhaps it may not be generally known that in undertaking the Tansa Pipeline Project, he mortgaged his personal properties to raise additional finance supplementary to banking facilities to cope with the increasing funds required for the execution of the contract. Men of Mr. Bhagat's courage and faith in the industrial development of the country are contributing towards raising the status of India as an industrial country.

Your Directors are recommending the payment of a dividend of Rs. 15 per ordinary share, which is fully justified by the results of the last year. As a matter of fact, some shareholders have complained that the dividend recommended is disproportionately low and I have full sympathy with them realising that since the inception of the Company the average dividend distributed to shareholders only comes to 4.61 per cent. I, however, want the shareholders to appreciate that in view of the number of projects, both expansion and new, the Directors are compelled to plough back a substantial amount of the profits to enable the Company to successfully implement them. It is the general experience of all industries in recent months that the availability of funds, both in the shape of new capital and working capital from Banks, is definitely diminishing and I shall be very unhappy if, for lack of finance, this Company is precluded from completing the various projects under the consideration of your Directors.

From other platforms I have earnestly pleaded with the Finance Minister for examination of the position of Companies like these which come under the mischief of Section 23-A of the Indian Income-tax Act. There are good and sound reasons rooted in the historical background of a number of smaller medium-scale industries with justify a differential treatment from those companies which have been essentially formed to avoid large payment of direct taxes. Similarly, the history of this Company confirms my plea that the penal super-tax on dividends is both illogical and unscientific as it completely ignores the average return earned by shareholders over a period of years.

I am glad to say that our relations with our workers have been very happy and satisfactory throughout the year.

I wish to take this opportunity of expressing our gratitude to all those who have rendered such devoted and loyal services to achieve the results of the last year and I am sure the shareholders will join me in paying this tribute to our entire staff.

COMMODITY NEWS AND NOTES

INCREASE IN JUTE PRODUCTION

The All-India Final Estimate of jute for 1956-57 puts the current year's area and production at 1,883,000 acres and 4,221,000 bales (of 400 lbs. each) as against the Partially Revised Estimate of 1,739,000 acres and 4,197,000 bales respectively for 1955-56, according to the Directorate of Economics and Statistics, Union Ministry of Agriculture. This shows an increase of 144,000 acres or 8.3 per cent in area and 24,000 bales or 0.6 per cent in production over last year. The overall increase in acreage during the current year has been reported mainly by Bihar and to a smaller extent by Tripura due generally to favourable climatic conditions at the sowing time. The increase in acreage has, however, been offset to some extent by decreases registered mainly in West and to a lesser extent in Assam, Orissa and U.P. The increase in production has also been shared mainly by Bihar and to a lesser extent by Tripura.

SLIGHT INCREASE IN MADRAS COTTON ACREAGE

The area sown with cotton in the State of Madras up to the end of September 1956 is estimated at 1,02,900 acres. Compared with the area of 1,00,900 acres estimated for the corresponding period last year and an average area of 90,100 acres calculated for the previous five years ending 1955-56, the present estimate is an increase of 2.0 per cent and 12.6 per cent respectively, says the second forecast report on cotton for 1956-57.

SAGO EXPORT PERMITTED

The Government of India have decided that the export of tapioca clobules (sago) will be licensed freely on shipping bills against valid firm sale contracts, without any quantitative restrictions, to all permissible destinations, excluding the Portuguese possessions in India, up to the end of December 1957, according to a trade notification by the Joint Chief Controller of Exports, Bombay.

SUGARCANE ACREAGE INCREASES

The all-India second estimate of sugarcane, 1956-57 puts the current year's area and production at 4,532,000 acres and 58,914,000 tons of cane as against 3,945,000 acres and 50,455,000 tons of cane for 1955-56, says a Press Note issued by the Ministry of Agriculture. This shows an increase of 587,000 acres or 14.9 per cent in area and 8,459,000 tons or 16.8 per cent in production over last year. The area under sugarcane at the second estimate stage during the current year is the highest on record.

EXPORT OF ANGOLA IRON ORE

Some 500,000 tons of iron ore annually will soon be available for export from the Portuguese province of Angola. By July of next year, the Mocamedes Railway will have been extended to a point 400 miles from the port of Mocamedes and this will make possible the effective exploitation of iron deposits at the Cassinga mines.

CHINESE RUBBER INDUSTRY

China's rubber industry is reported to have reached the target level of output for the first Five-Year Plan at the end of October, a year and two months ahead of schedule. Heavy-duty tyres, passenger car tyres, weather balloons and surgical gloves are included in the 308 kinds of new rubber products successfully trial-produced during the Five-Year Plan.

INDIA'S WOOLLEN TRADE

India's woollen textile industry has been showing an all-round improvement during 1956. According to the figures up to the end of September, the output of woollen and worsted fabrics has totalled 11.97 million yards against 9.36 million yards in the corresponding period of the last year, while the output of yarn has amounted to 18.72 million lbs. against 13.91 million lbs. last year. Increased internal supplies of raw wool and larger imports of foreign raw wool and wool tops seem to have helped the industry. Despite this increase, production is still much below the rated capacity of the industry, which is estimated at 48 million yards per annum on a double-shift basis.

INDONESIAN TEA OUTPUT LOWER

Tea production in Indonesia during 1956 is estimated to have fallen by 15 per cent. Since 1940, production has approximately been halved. It is stated that rising labour costs are responsible for the fact that estates with an output of less than 700 kilograms per hectare are no longer a paying proposition.



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The Falling Sickness

THE Stock Exchanges of India have been visited in the last month by a serious attack of the falling sickness. The trend of share prices since the Finance Minister introduced his two Finance Bills in December has been steadily downward until, at the time of writing, the leading counters in the Stock Exchanges, Tata Steel and Indian Iron, are quoting below Rs. 170 and Rs. 28 respectively. It is not only the speculative counters that have been deeply affected; the whole range of investment buying has come under pressure, more disturbing than anything seen in recent Stock Exchange history. There has been a failure or two in Bombay imposed on a technically "overbought" situation and, in spite of the fact that over a month has elapsed since the Finance Bills were introduced, distress selling continues at a significant rate. There is no doubt that the situation reflects a disorder which is deep, and may take some considerable time in correction.

It is important, if a remedy is to be applied, first to diagnose the disease. There is probably no dispute on the point that the highest share figures of last year were unduly inflated, and certainly concealed an element of undesirable speculation. This speculation was partly based on

the near certainty of an early inflationary movement, part of which was already under way before November. It was also in part a reflection of undue optimism on the volume of deficit finance as against the volume of taxation prescribed in the second Five-Year Plan. This latter cause of bullishness was a true miscalculation, since it was always on the cards that an inflationary spell would be met by a reduction in deficit financing and an increase in taxation. Some correction in stock prices would need in any case to have occurred with rising taxation, and no fault should be found with the Finance Minister for becoming an instrument of arresting undue and, on the whole, unhealthy expectations in regard to the limited character of taxation on Government financing of the Plan. What seems, however, to be properly a complaint to be laid at the door of the Finance Minister is the break of confidence, which has not merely reduced inflated stock values to a reasonable level, but has driven them to a floor which, even at the present time, does not look strong enough to hold further adverse pressures.

Thus one might conclude that the technical weaknesses of the market before the Finance Bills are not major explanations of the current disorder. The present debacle is due to a loss of confidence, which is primarily due again, not to the specific measures which the Finance Minister introduced in the Finance Bills, but his repeated warnings, after they were introduced, that there was worse, and indeed indefinitely worse, to come. It was a mistake for the Finance Minister to have reiterated his intention of taxing several times in the year and to arm himself with indeterminate powers, seeing that, in any case, his measures will have to be placed before Parliament within a week of its meeting. The truth seems that the business community has read the Finance Minister's utterances and the Finance Bills with so deeply a pessimistic note that a serious psychological malaise has been imposed on the unhealthy technical situation which prevailed in the market before his hammer fell.

In one sense, the Finance Minister must be held solely responsible for the situation that has now been created. He has not been content with uttering warnings in regard to taxation of personal incomes; or reiterating the demand for the liquid resources of industry. He has shown no clear line of policy in the public sector, on which the country could be assured that it will successfully overcome the problems of the Plan. For example, the hamstringing of the private sector is not to be compensated by a movement in terms of generous credit by the Reserve Bank of India and the State Bank of India. It would be natural to expect, at a time when deterrents are placed on private enterprise, that public enterprises should be suitably adapted to fill any vacancy which the reduction of private enterprise made obvious. But the Finance Minister has not merely turned on the private sector; he has turned on his own instruments of finance, the Reserve Bank of India and the State Bank of India. He has spoken of one as too "reserved", the other as too "imperial". These instruments operate under his direct orders, and the conclusion has been drawn that, if the instruments which he has in his hands are conceived to be unequal to the task, there is really no acceptable agency in the country to fill the gap. Thus, there has spread in the Stock Exchanges the belief that the Finance Minister has, in fact, no solution to his present monetary difficulties. The resignation of the Governor of the Reserve Bank of India has added to the feeling that the Government of India has stresses and strains of its own, quite apart from the hunger for "resources" which the Finance Minister has displayed.

It is not necessary that one should attach to the withdrawal of the head of a nationalised institution the weight one would normally attach to the resignation of the Governor of a Central Bank differently conceived. Nevertheless, one cannot view the current arrangements in the Reserve Bank of India as being designed to lead to additional confidence, since the implication now is that every Governor of the Reserve Bank will sign meekly on the Finance Minister's dotted line. Thus one possible corrective to mistaken notions in Delhi will have been removed. Not, indeed, that for many years the Reserve Bank of India had the power to operate monetary credit policy on its own. But the Governor of the Reserve Bank of India was never the cipher to which he is now to be reduced.

Because the present trouble is mainly psychological, the remedy must be conceived in psychological terms. Some gestures must be made to business sentiment to assure it and the public authorities in the State Bank of India and the Reserve Bank that the Government of India is not a creature of chance, but a rational, even if hasty, instrument of policy-making and policy criticism. Much may still be done by way of clarification, particularly under the rules for the Capital Gains Tax and the rules regulating deposits of corporate funds, to show that the Finance Minister is aware of the extent to which he has alarmed and disturbed the sensitive outlook of the market-place. It was helpful to have a clarification of the Capital Gains Tax in the course of this week by a senior officer of the Finance Ministry. The feeble response given by the market to this clarification shows not that this move was mistaken but that many acts of this kind will be required if confidence is to be restored.

There should be no suggestion at this time that the Finance Minister, although he has erred, is necessarily wrong in every detail. All financial policy needs a longish period in which to work itself out. The Finance Minister can ask very properly for a reasonable time. But it cannot be implied that a short-period disorder can be left untreated. It is certainly to be hoped that the Finance Minister will recognise that the signs of distress which have appeared in the last two weeks need short-period treatment, even while he pursues a long-period policy which helps his "resources", and prevents inflationary influences from reasserting themselves during later months of this year. No one should complain to the point of adding new diffidence to this situation. There must be a feeling of patient co-operation with the Government at a time when the whole nation has necessarily to face the stresses of the second Five-Year Plan. It is to be remembered that the Finance Minister's difficulties are those of the nation. The nation must strive with him for their solution; he must strive, and he will need to strive hard, for better understanding without which he will certainly fail.

Indore and After

INDORE, like Avadi, constitutes a distinct landmark in the history of the Congress. The Party has now pledged itself, in its constitution, to a "socialist co-operative commonwealth". This is a more felicitous terminological alternative to a 'full socialist order of society' as propounded in the latest election manifesto. But neither the one nor the other is precisely defined. The implication is that Nehruvian Socialism is something flexible. (Mr. Nehru himself wonders why he should be asked to define socialism in rigid terms when it is something that should not be rigid). Perhaps it is thought that in this flexibility lies its persuasive strength. Mr. Nehru may decline to define Socialism, but the outlines of a definition can be pieced together all the same. The ends of Congress Socialism are to be achieved only by peaceful democratic means. This socialism involves no compulsion and force on the people. It postulates a psychological revolution by which the minds of the people could absorb the new conception. And that means time—may be 20 years. Congress Socialism, again, would be wholly an indigenous brand. It would not be doctrinaire or dogmatic, but pragmatic. It would not accentuate class conflicts which are already there. It would reduce gross inequalities in income and wealth, but it would not rob the community of the incentive to work by imposing ceilings on incomes or merely levelling down the rich. It might lean more on the side of Gandhiji's conception of Sarvodaya. Above all, it would be based on the dictum that "even a correct thing done at the wrong time and in a wrong way becomes a wrong thing and brings harm in its trail". This realistic approach would apply in particular to demands for expropriation of British and other foreign concerns in India, nationalisation of big industries, ceilings on incomes, etc.

If the kind of socialism that the Congress stands for is this and no more, then why not put it down in a definitive statement in the place of Nehru's extempore expositions? If the Congress does not want to do this, there must be some deeper reason for it. The reason is to be found in the history of the Congress itself. Ever since the Lucknow Congress of 1936 Mr. Nehru has periodically created an emotional 'climate for socialism' in his own vague, inimitable way. This 'climate' has invariably served as an electoral asset *wholly* for the Congress except during the last General Elections when the Socialist and Communist parties too turned it partly to their advantage. Since then vagueness in Congress Socialism has been partly replaced by some specific socialist measures—promised or performed—in the light of the election results. Still there is an overall vagueness which, perhaps, can be dissipated only at the risk of exposing 'Congress Socialism' as a 'milk-and-water' kind of socialism. This the Congress has chosen not to do. But the emotional 'climate for socialism' would still have its electoral potentialities although it is conceivable that this time it may be less of an asset for the Congress than for the Communist Party.

Herein lies the possible danger of a vague socialist platform against which the Communist Party is able to pit a concrete platform with a bewildering array of socialist planks. These planks are meticulously designed to reap by way of votes what the Congress sows by way of socialist ideas in men's minds. Where the hollowness and contradictoriness of the Communist planks cannot be easily exposed in the context of a 'socialist climate' created by the Congress itself, there may be a good case for a *frankly* liberal programme. Such a programme could be an even greater electoral asset in the context of Nehru's undiminished personal popularity, the Gandhian heritage, the Congress organisational strength, the first and the second Plans and, above all, its transparent realism and sincerity. The *basically* anti-Communist role of Hinduism (as a system of philosophy, as a system of religion and as a system of social and family organisation) would also be there as an invaluable asset.

It is, of course, too late in the day to hope for any such programme for the elections are just round the corner. What is of immediate interest is the platform of the Communist Party which still presents the most determined opposition to the Congress. Their manifesto may be (as in fact it is) a bundle of lies, half-truths and quarter-truths. Parts of it may be so many examples of '*suppressio veri, suggestio falsi*.' In its totality it may be an insult to a thinking citizen's intelligence. But not all citizens think discriminately at election-time in India, and considerable groups especially in the rural constituencies are prone to be swayed by a 'something-to-everybody' programme that the C.P.I. presents. When that Party has the audacity to take credit for all the good things the Congress has done, when it draws a lurid picture of poverty and misery and when it promises something concrete to each economic group, the Congress would be hard put to it in its propaganda to wean away the gullible and the dupes whose number is not inconsiderable in rural areas.

It is thus in the rural areas that the Communists may continue to exert their greatest influence. This influence stems from their Kisan organisations which are largely composed of evicted tenants and landless labourers. The economic position of these groups is so deplorably low that at their level only local economic problems are likely to command their whole attention. It is here that the C.P.I. has a rural plank intelligible to them precisely because of its local colouration. 'Land to the tiller' still has a powerful appeal—all the greater because landless agriculturists in their millions continue to be land-hungry and the Congress holds out no definite hope of what Prof. D. G. Karve calls 'land redistribution at a high level of public support'. The Communist promises to scale down peasants' debts, to cancel the debts of agricultural labourers, to restore evicted tenants to their holdings, to distribute cultivable waste lands to landless labourers, to impose comparatively low ceilings on existing landholdings and to distribute the excess lands and, above all, to extend co-operation in the spheres of rural credit, marketing and supply of implements, fertilisers, seeds, etc., *but not in the sphere of farming as such*—all these constitute an intelligible (though not wholly sound) programme which, objectively speaking, is distinctly better than the Congress counterpart. If, in these circumstances, the Communist Party comes to garner a rich harvest of votes (though not of seats) in some significant States, it may be no surprise. What is probable may yet be prevented from happening if the Congress happens to adapt its agrarian programme to the local requirements in different States.

A New Deal for the Middle East

SINCE 1948 an uneasy peace and a sham stability have prevailed in the Middle East. With the Anglo-French misadventure in November last finally disappeared the last remnants of the restraining British influence in this region, creating a serious power vacuum. Nothing could have been more appropriate, as suggested by Prime Minister Nehru, than to allow the various Arab nations to fill the vacuum by their own "strength and progress". But such a policy could be followed only if the big Powers accepted unreservedly a "hands off" policy in the region.

Russia, which has for centuries looked at the area longingly, is surely not likely to give up the recently-won advantage which even the powerful Czars and the all-powerful Stalin failed to achieve in spite of their various stratagems and conspiratorial machinations. Thus the prospects of the Soviet Union honouring scrupulously a "hands off" policy are dim. Soviet infiltration would be a political disaster for the nations of the Middle East because then these nations, like the European satellites, would lose national sovereignty which they so zealously cherish and which they are beginning to exercise. Economically also, Communist domination would be disastrous for the nations of the Middle East. The principal asset of the area is oil for which only Western Europe can offer an adequate market.

It is, however, fortunate that the danger of Communist infiltration and subversion has been noticed at a time when there is uncertainty in Russia itself and when there is robust confidence among the Arab nations in the anti-imperialist policy of the United States of America. Having taken a leading part in the solution of the recent Middle East crisis, it was natural for the United States to decide to face up to its responsibility for dealing with the still more dangerous aftermath. The Eisenhower Plan for the Middle East is, therefore, neither unexpected nor unnatural; and in view of America's unblemished record during the Egyptian crisis, the Middle East countries will be less than justified to regard American intentions with suspicion. In fact, in view of the Russian action in Hungary a guarantee of American military and economic assistance, if and when required, should be welcome to the Arabs.

Under the present plan, the President has asked Congress for standby authority to use United States troops, if necessary, to resist Communist aggression or an "overt armed aggression" by a nation "controlled by international Communism". To guard against the use of the troops in pursuit of some devious motive, it is obligatory on the President to act only when there is a specific request for military assistance from a Middle East country threatened with Communist aggression. Again, the proviso that the United States troops should be used "in accordance with the United Nations Charter" and "subject to the overriding authority of the Security Council" ensures that the United States President would think twice before doing anything likely to provoke world-wide criticism like the one lately levelled against Britain and France. This departure from the classical American thinking in the face of Communist threats, which expressed itself in NATO and SEATO, is obviously a concession to India's susceptibilities and seems to be the first fruit of Mr. Nehru's visit to Washington.

In giving notice that the United States will "resist any Communist aggression" in the Middle East, Washington is justified to the extent that the Soviet Union itself has issued a similar notice against any kind of Western influence in Hungary which it regards as strategically important. It will deter Soviet military intervention and also limit the tendency of those among the Middle East States who may think in aggressive terms on the strength of Russian support. Such a plan was also necessary because, before long, the British would be cutting off their overseas military and financial commitments for economy as well as adjustment with their new role in world politics.

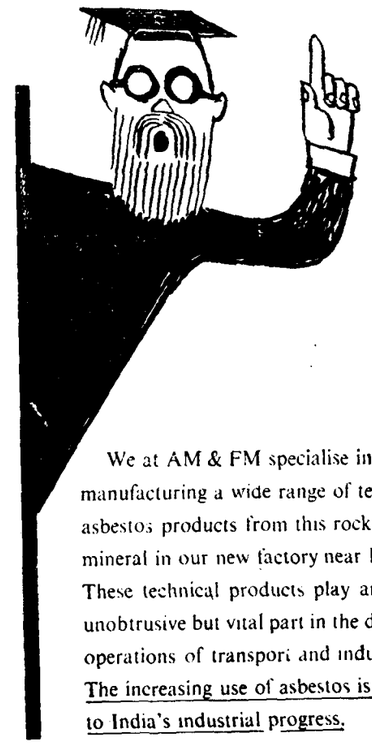
In addition to military aid, economic measures of helpful nature are proposed to eradicate those economic conditions which "make Communism an attractive alternative." It is reported that a Nile river development programme to reclaim vast tracts of land throughout most of North Africa is being considered as part of President Eisenhower's Plan for the Middle East. The programme envisages a series of dams, irrigation networks and power plants. The project will usher in the long deferred industrialization of the region.

If the Eisenhower Plan is accepted by the Arab nations, as it seems likely, it would also incidentally bridge the gap in the Western defences between the NATO and SEATO lines, which have become vulnerable with the abrogation of the Anglo-Egyptian Treaty of 1954. With that treaty, which allowed Britain to maintain agreed installations in the Canal zone, has gone the supporting structure of the Baghdad Pact. It has thus disrupted the "good work" done by the Western strategists under the leadership of the United States.

It cannot, therefore, be denied that the American motives are sound. In the degree, therefore, that the Plan provides a "security shield", it is bold and imaginative; and the guarantee, supplemented as it is by economic aid, would constitute an adequate "shield" behind which the Middle East countries would achieve full-fledged nationhood thus filling in course of time the "power vacuum" themselves.

But it cannot, also, be denied that the Eisenhower Plan has apparently not paid the full attention to the basic problems bedevilling the Middle East—problems relating to the Suez Canal and the relations between Israel and the Arab States, for instance. Thus, the problems which resulted in the abortive Anglo-French gunboat diplomacy and opened the flood-gates for the Communist penetration in the region have been left untouched. Moreover, the Plan seems to visualize the Soviet Union as the sole source of aggression and ignores threats likely to develop from different directions. The Plan also does not appear to be foolproof against indirect Soviet intervention such as internal subversion. For example, if say, Syria asked for Soviet military and technical aid and the same was granted, America would have no grounds for intervention. Even if America found some legal justification for intervention, it would be difficult for her to secure the sanction of the Security Council or the General Assembly because of the likely hostility of the Arab and the Asian nations. If, on the other hand, the United States were to act without any sanction from the United Nations, then it would be doing precisely that for which it castigated Britain and France in November last.

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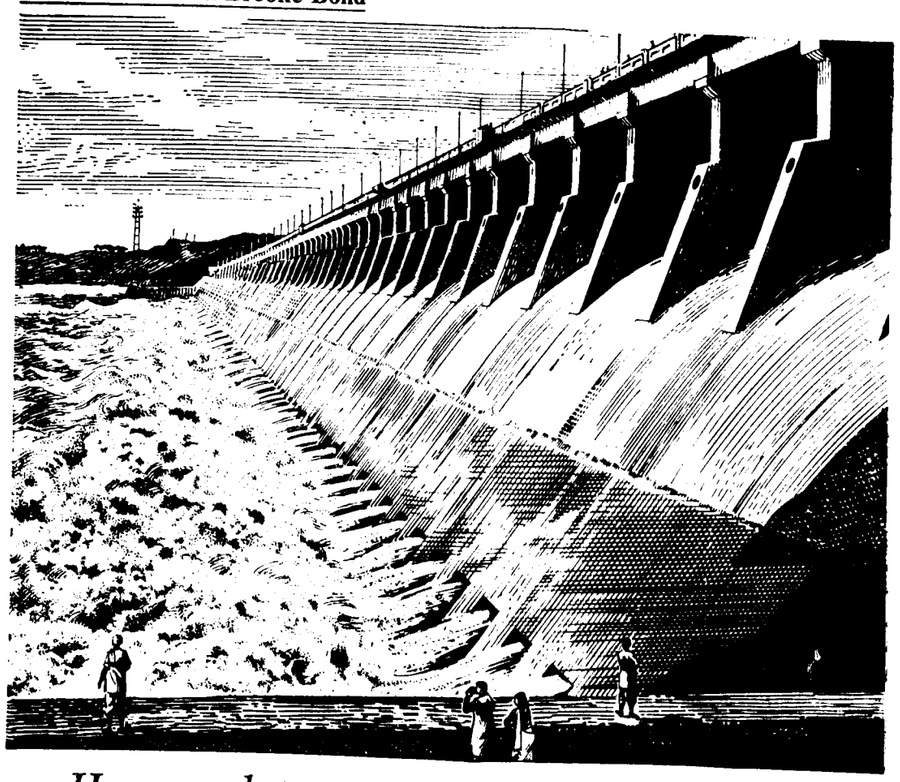


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THE WEEK'S NOTES

A GREAT CONSTRUCTION PROJECT

NEWEST AMONG the temples of New India in the making is the Hirakud Dam Project which is to be inaugurated by Prime Minister Nehru on January 13. The story of Hirakud is also the story of the greatest era of construction projects after a hundred years of modest effort in irrigation under British rule. Sixteen miles from end to end on the Mahanadi in Orissa State, the dam at Hirakud is claimed to be the world's largest main-stream dam. This is only the first of a series of three dams designed for the integrated development of the Mahanadi basin and it has involved an enormous outlay of Rs. 54 crores from 1948 to March 1956 out of an estimated total outlay of Rs. 71 crores which, however, does not cover subsidiary power and delta irrigation schemes. With the eventual construction of the other two dams, the turbulent waters of the Mahanadi will have been systematically tamed to serve the people of Orissa.

The magnitude of the Hirakud Dam (which is a composite dam of earth, masonry and concrete) may be known from some details about its reservoir. The reservoir, when full to its maximum capacity, will have a water spread of 288 sq. miles. The storage capacity is 6.6 million acre feet of water of which a capacity of 4.72 million acre feet will provide sufficient reserve for flood control and 'live storage' for irrigation and power generation. The canals taking off from the dam will irrigate 454,000 acres in the net or 672,000 acres in the gross. The power house at the dam and the subsidiary power house will have an installed capacity of 232,500 kw.

In the case of this project the capital outlay per net irrigated acre works out to a little more than Rs. 1,000. This suggests that the Hirakud Project is a very costly affair for it is generally estimated that the average capital cost of a major irrigation project is around Rs. 500 per acre. Perhaps in the case of Hirakud the gain to tens of thousands of acres on account of flood control would partly offset the high cost of irrigation. As the project will also help stabilise irrigation in the Mahanadi delta, the comparatively less costly scheme (just approved and costing Rs. 15 crores) for the delta irrigation could be considered a part of the Hirakud Project. In which case the irrigated area will add up to a total of about 2.25 million acres and the capital outlay per acre of irrigated land will come to about Rs. 300 only. This compares very favourably with the cost of a little more than Rs. 500 per acre in the case of the Lower Bhavani Project in Madras State.

WHITHER P.-S.P.?

THE ELECTION manifesto of the Praja-Socialist Party, especially its economic plank, does not seem to offer much or anything very different from what the Congress Party has laid down in its platform. And it is a pity, even considering from the point of view of its modest aim to provide "an effective opposition to whatever Government be put in power". Ever since Avadi, when the Congress stole the Socialist thunder, the P.-S.P. has been passing through a period of listlessness and one would have expected that on the eve of the elections at least, the party will come out with a well-defined and practical programme that will invest it with enough prestige as an effective Opposition Party. But what does one find in its manifesto? Its assertion of its faith in democratic Socialism as the 'sole programme of tomorrow' is not very different from the basic objectives of the Congress which are defined as 'Democracy and Socialism'. Nor is there anything original or novel in the statement, that "the economic policies of the P.-S.P. are directed to raising the living standards of the people and assuring them of employment and expanding opportunities" which is what the Congress apparently aims to do by declaring that the "major problem of India is to fight poverty and unemployment and to raise the standards of our people". Some of the other panaceas of the P.-S.P. are land reforms, which include making the tiller of the soil its owner, ceilings on holdings and land distribution, share to industrial workers in management and the provision of housing and social security to the middle classes, and all these, it is well known, have been held out by the Congress for long.

Where then lies any novelty in the P.-S.P. manifesto? Perhaps in the confusion that arises from its overvaulting ambition! In one breath, the party swears by decentralisation to the extent of making every village a republic. At the same time it calls for immediate nationalisation of banks, mines, plantations and wholesale and foreign trade in selected commodities. It is really hard to understand how the "evils of Statism and authoritarianism" could be put an end to when the party asks for so much to be taken over by the State. A similar fallacy is noticeable in its approach to taxation. It expresses 'deep sympathy' with the people "groaning under the crushing load of taxes" but it is not clear what solution it has to lighten the burden. On the other hand, it pins its faith on the simultaneous employment of the Kaldor devices to correct the "embedded inequalities of our society". The Kaldor proposals may serve as attractive electioneering propaganda, but the economic realism of the party will not be enhanced if it tries to outdo the Congress in attempting to 'soak the rich', because what effect the proposals will have on incentives for both enterprise and accumulation in the private sector is a subject that deserves greater examination. The P.-S.P. manifesto is thus, unlike the curate's egg, not even good in parts. While part of it is imitation, the rest is governed by unreality or woolliness. Yet the party appeals to the people to rally round its banner and co-operate in the creation of a new social order. And what is that 'order'?

THE JAN SANGH MANIFESTO

THE JAN SANGH'S manifesto touches on almost every important domestic and foreign policy issue in a negative way. Its appeal is more to sentiment than to reason. It seems to have stolen as much from the left parties as from the Congress. The only original item in the Sangh's programme appears to be the promise of a Unitary State to the people of India towards which they are least inclined. A Unitary State demand by Jan Sangh is to be discarded straightway as it accentuates provincialism—the greatest enemy of national unity in this country.

The manifesto makes large promises but does not precisely indicate how they are to be implemented. It promises free and compulsory education at the primary and secondary stages, no retrenchment without alternative employment, free insurance for workers under the State Employees' Insurance Scheme, unemployment allowance for involuntary unemployment, fixation of the maximum salary at Rs. 2000 per month and the minimum at Rs. 100 and of landholdings at 20 acres and 5 acres respectively, reduction in land revenue, abolition of the sales tax on the necessaries of life, the limited use of indirect taxes like excise duties and the sales tax and an overall reduction in Government expenditure which has risen in recent years. In the face of large social services promised

on a comprehensive and generous scale and the raising of the minimum salary to Rs. 100, one wonders how the reduction in expenditure can be brought about. Is there any indication as to how the Jan Sangh will raise revenues to fulfil these promises? While the manifesto seems catchy in its suggested solutions for the problems of food, clothing, housing, unemployment and refugee rehabilitation, and of self-sufficiency in defence, producer goods and goods for consumption, it does not squarely face the problem of capital formation on which our economic development mostly depends. Surely, compulsory loans from multi- millionaries is not going to solve the problem.

KASHMIR AGAIN

IT IS no surprise that Pakistan's request to the U.N. Security Council to discuss the Kashmir issue has caused as little concern in this country as interest in the U.N. It is now known that Mr. Nehru's recent tour abroad as well as the personal visits to Kashmir of some of the Western leaders have considerably cleared the clouded issue and resulted in a better appreciation of India's position. This has always been that Pakistan has committed aggression against Kashmir which has been admitted by U.N. representatives. The aggression is in some respects as serious as that in Korea or Egypt, and if the U.N. did not take similar action in Kashmir at the time India lodged her complaint, it may be attributable to the peculiar circumstances in which Pakistan had been created shortly before. In the long and arduous debates that followed, Pakistan largely succeeded in distorting the picture by every means, not always commendable. It was inevitable as well as appropriate for the U.N. to stress that in the interest of a speedy resolution of the tangled problem, the issue be decided between the parties concerned. While, in the meantime, Pakistan has been insisting on a plebiscite, which was voluntarily promised by India as an act of goodwill, she has been, conscious of her weak position, deliberately putting obstacles in the way by not only not withdrawing her forces from the occupied areas, which is a necessary pre-condition, but also reinforcing her military might by foreign assistance. The only course thus left open for Kashmir was finally to integrate with the Indian Union and avoid the feeling of indefinite insecurity and instability.

Since a plebiscite under the present conditions is to be ruled out, the debate is very likely to be much as usual, with little new to be added. Even if conditions become conducive to its holding it would be vain of Pakistan to hope for a good showing. The people of Kashmir remember too well the atrocities Pakistani hordes committed on them, irrespective of their religion or political affiliations. They are now enjoying an all-round prosperity so far unknown to them. The remarkable speed and vigour with which the initial errors in welfare schemes, trade and commerce and land reforms have been corrected during the last three years has finally cleared the doubts of the sceptics. It is inconceivable that any sensible Kashmiri would intend to change the present position for the chaos as represented by 'Azad Kashmir'. In fact it is this prosperity and freedom on this side that generates discontent across the border and impels many Kashmiris to dodge the Pakistani patrols in order to cross over.

It would be wise of the present rulers of Pakistan to realize that the Kashmir question has been used so much during the last nine years to tide over their internal difficulties that it has ceased to command any more force. Indians and Pakistanis are basically friendly to each other and would like good relations to be established. India has already offered concessions and has even expressed willingness to consider a permanent settlement on the basis of the present ceasefire line. This is more than what Pakistan could have hoped for. If, however, Pakistan is really convinced that any further negotiation with India is pointless, then all that the U.N. can possibly do is to take up afresh the basic issue of aggression, and, once the aggressor is named again, proceed as it has done in other similar cases. Since this is unthinkable and since India in any case would not cherish such an extreme course, it is only proper that Pakistan should grasp the extended hand as a friend and help in arriving at an acceptable solution.

THE RUSSIAN POLITICAL CIRCUS

THE LATEST in Russian political acrobatics is the backward somersault of Mr. Khrushchev and Co. They have decided to "give up" the policy of de-Stalinization. Mr. Khrushchev is reported to have told guests at a New Year reception in the Kremlin that all the Soviet leaders were Stalinists when it came to "fighting the imperialists". The statement has, it is hoped, broken the illusions of the more obstinate political innocents. But to political observers, who are not in need of more cognition, the somersault was neither original nor polished enough. It would be absurd to isolate Stalin from the system he created.

That system, to repeat what has become a truism, is based on a totally planned economy, which is inconceivable without rationed consumption, commandeered labour and regimented production. The absence of any one of these three would render such planning impossible. It would be fatal for the plan to be left at the mercy of the whims of consumers. Similarly, planned economy of the Communist type is unimaginable without conscription of labour. The freedom to move from one job to another would lead to anarchy in the plan of production. The old principle — "he who does not work shall not eat"—has to be replaced by a new one—"he who does not obey shall not eat". The Marxian concept of "freedom of necessity" means, in truth, denial of choice and transformation of the free proletariat into slave labour in practice.

Totalitarian planning, unlike democratic planning, also involves a rigid order of priorities of different claims. It thus presupposes an agreement on all values between the State and the people. Such an agreement actually does not exist. It is not possible, considering the total nature of the State, and its need to rise to exigencies: dictation is necessary to efficiency in total planning. In order, therefore, to determine the relative importance of different groups and persons, the just price of their produce and fair wages, and what men should believe in and fight for, education is standardized and mass suggestion through press, radio and platform is resorted to. Regimentation of thought is the "legitimate child" of totalitarian planning. As conditions of existence determine consciousness, it is futile to expect freedom of speech, press or assembly in a Marxist society like the one artificially created in the Soviet Union. A true Communist - whether Stalinist or not — will not hesitate to sacrifice anyone or anything that he thinks might help to realize his dream.

In view of the absence of any change in the economic and political structure of the Soviet State only a knave or a fool could have believed in the Kremlin's professions of de-Stalinization which the wishful-thinking democrats unwittingly equated with liberalism. The real nature of Soviet professions became visible when Russian tanks suppressed the Hungarian people's revolt in a truly Stalinist fashion. Stalin is dead, but Stalinism will continue to live so long as totalitarian planning is not given up and one-party rule is not abolished. It is, therefore, not surprising that Peking, Prague, Sofia and Budapest should have, once again, begun emphasising the 'positive' aspect of Stalinism.



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A Window on the World

PANDIT NEHRU'S SOCIALISM

By

ODYSSEUS

ONE REASON WHY foreign observers find it difficult to understand Indian Socialism, and easy to fear India as a field for investment, is that India speaks about Socialism with two voices. The voice that emanates from the government, and from the ministries in New Delhi, is the voice of, so to speak, India's head and is all sweet reasonableness and light, from Pandit Nehru downwards. Downwards, that is, to a certain level when you begin to hear the voice of India's heart. This is loud among the Congress party's parliamentary supporters and often in the popular press. This voice rarely speaks any good of Private Enterprise, and the mere mention of "Socialism" sends it off into transports of uncritical applause.

"Socialistic" or "Socialist"? Which is which? What is the difference?

A "Socialistic" person is pragmatic, evolutionary, and, while insisting on a certain minimum pace of centrally planned economic development, is not faddy about doctrines but is ready to live and let live. His test as to whether to accept any proposal is whether it seems likely to add to the national income or not, e.g. to nationalise the existing steel companies would cost the taxpayer money and add nothing to wealth; on the other hand, Private Enterprise has not the resources to build up three great new steel plants with a capacity of 6,000,000 tons; so Government action is justified. Pandit Nehru is "Socialistic".

A "Socialist" is a dogmatic type whose sole test of any proposal is whether it is orthodox Socialism. Substantial numbers of the Congress parliamentary rank and file are Socialists.

A characteristic reaction to these Socialists of a moderate, and not in the least "anti-Indian", foreign observer is that of Stephen Garvin who says of them in his booklet "India: A Survey for British Firms" (F.B.I. London, 1956. 4sh. 6d.) that every enlargement of the public sector tends to be uncritically hailed, and references to privately controlled industry are persistently belittling and frequently downright hostile. It is not surprising, therefore, that the business community in India, both Indian and British, should be frequently annoyed or alarmed, and that it should be easy for foreign observers to get the idea that India is a thoroughly unsuitable field for investment.

Pandit Nehru's approach is in striking contrast. Again and again he has stressed the importance of avoiding dogma and doctrine. Argument about "Socialism, Communism, Capitalism, Gandhi-ism, Private Enterprise," he told the National Development Council on November 9, 1954, has assumed a "rigid, dogmatic, semi-religious outlook, i.e. holding fast to a set idea, some slogan and trying to fit your thought to that slogan."

NEHRU CASTIGATES SOCIALISTS

Explaining his policy to the Congress Parliamentary Party, Pandit Nehru went out of his way to castigate the Socialists for doctrinal rigidity. His policy was not nationalisation for the sake of nationalisation. India's problem was to produce more wealth and to distribute it equitably. His Government was not going to lock its limited financial resources up in buying going concerns but would use them to launch new ventures. Nor should existing concerns be expropriated without compensation: this was contrary to the Constitution and to his policy.

Whereas the doctrinaire Communist planners of the U.S.S.R. concentrated on raising the industrial potential of their essentially agricultural economy regardless of the "enormous misery" (Pandit Nehru's words) which that policy imposed, Pandit Nehru, while convinced that "real progress must ultimately depend on industrialisation," holds there must be a vast development of small-scale and cottage industries to reduce rural unemployment. It is here that the practical aspects of Sarvodaya, Bhoodan, and Gramdan (outlined here on January 4, 1957) have, I believe, great possibilities. I venture the prophecy that, on the one hand, true Sarvodaya — non-acquisitively, non-violently minded, self-governing villagers, dwelling in a Stateless society without all-India organisations or planning, unprotected by armed forces — is unlikely to be achieved, but, on the other hand, I see no reason why rural India should not pullulate with self-governing village communities, with flourishing farms and local industries run by co-operatives, whose products would be complementary to large national industries, some run by the State, others by Private Enterprise.

Reverting to Pandit Nehru's views (which have been usefully collected together in the admirable booklet "Indian Approaches to a Socialist Society", Berkeley University, California. $1.50, a storehouse of facts on which I have drawn freely in this series), the Prime Minister believes that to follow either "the American outlook" or "the Communist outlook" in economic matters would be harmful. It should, he thinks, be possible to profit by the experiences of America, China, and the U.S.S.R. In Pandit Nehru's view capitalism is like feudalism: it once served a useful purpose but is now out of date. Here I join issue with him. Capitalism as practised in the nineteenth century is dead, but the contemporary experience of North America and West Germany — the world's most flourishing and dynamic economies — shows that, when streamlined by modern techniques that ensure competition and incentives, Free Enterprise (as I prefer to call it) remains the most efficient road to high prosperity — in an already industrialised society. I add the last five words because I recognise that Free Enterprise would have difficulty in setting a tolerable pace in developing India's economy unless it were to rely on foreign investment, particularly American, to an extent which would be unacceptable to national sentiment. But I believe that once a certain level of economic development has been achieved, the planners and the national boards of control will be hindrances rather than helps. Without them, the cumulatively multiplying development which takes place in any dynamic Free Enterprise society would leap ahead.

I submit that it is one of the strongest "selling points" about India's Socialistic pattern that it keeps a place for Free Enterprise. "Undoubtedly Private Enterprise is useful," Pandit Nehru told the National Development Council. The Government wished to "encourage" it (although the dominance once exercised

by private enterprise throughout the world "is no more").

WHY FOREIGN INVESTORS ARE NERVOUS

India needs, and would welcome, substantial foreign investment, but there can be no doubt that publicity given abroad to such events as the amendment to the Constitution passed to remove compensation for nationalisation from the jurisdiction of the courts, the nationalisation of the airlines, of the Imperial Bank of India, and of life insurance, was largely ensured by what Stephen Garvin describes as "the chorus of dogmatic approval with which these acts were greeted by legislators", so that the special "reasons which existed in each of these cases could hardly be heard in India itself and never made any impact abroad". For example, the Indian airlines were nationalised not because they were being inefficiently run by private enterprise but because they would have required government support for the replacement of aircraft on such a scale that they would have remained private in name only. In other words, the development of civil aviation in India does not differ from the experience of many other countries, and if it had not been for the howl of Socialist triumph with which nationalisation was greeted, nationalisation of the airlines would have attracted no more attention among foreign investors than a re-organisation in British Overseas Airways or Air-France.

If India wants foreign investment, it is important that the Socialists in New Delhi should keep calm and let the Government get on with its Socialistic pattern industrial policy which lays down perfectly clear, and not in the least frightening, aims. Mr. Garvin points out that ministers are wisely reluctant to indulge in glosses upon it in public, and well-meaning persons who often urge this course on them in the interests of the "investment climate" do not always realise that common sense and pragmatism in individual cases, of which the Indian Government has shown itself well capable, are of far more benefit to private industry than vague reassurances which invite controversy.

It is of high significance that Mr. Garvin, writing in his capacity as an adviser to the Federation of British Industries, declares that nationalisation is a red herring in the study of India's industrial prospects. The real difficulties for private enterprise in India, in his view, arise from income-tax policy.

India now taxes personal incentive in industry higher than any other country in the world.

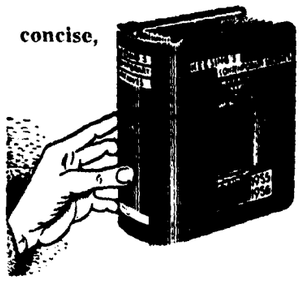
On a net basis, comparing the situation of a married man with two children, income-tax in India in the middle managerial ranks, and even more in the higher, is heavier than in Britain and, what is more, the cost of living to a foreigner is far higher in India than in Britain. From Rs. 2,000 a month, Indian income-tax is increasingly higher than British and the 1955 budget taxed perquisites which, although taxable in the U.K., mean infinitely more to the foreigner in India and are indeed "inescapable adjuncts" of salary to anyone working outside his own country, such as home leave passage costs, rent free, or concessional rent, accommodation, educational allowances and personal transport. For any country seeking to attract foreign investment it is, in view of Mr. Garvin (who, it should be stressed, is most sympathetic towards Indian affairs) "impossible to over-estimate the folly" of these taxes. It is precisely in these fields in which India is anxious to develop industrially that managerial manpower is desperately short in the U.K., and in other Western industrialised countries, and India cannot hope to attract foreign firms if they cannot pay their employees enough. Rs. 2,000 a month in India cannot be made to do the work of £150 a month in the U.K. and no person who can find employment elsewhere will come out to India as long as it is made impossible for him to educate his children in his own country or for his wife to travel reasonably often between her husband abroad and her children at home.

(This is the final article in a series "Indian Socialism". Previous articles were: "Why Socialism Came to India," (November 23), "Is India a Socialist State?" (November 30), "The Clue to the 'Socialistic' Muddle" (December 7), "What Is Sarvodaya?" (December 14, 1956), "Sarvodaya: Utopia Attainable", and "The Practical Aspects of Sarvodaya (January 4, 1957).

Although each article was complete in itself, a collected reading will bring out the links in the argument more clearly.—Ed.)

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EUROMARKET AND THE COLONIES

(From Our Special West European Correspondent)

PARIS, January 4.

THE revival of support for European unity has given an impetus to the planning of a common market or progressive customs union among the six powers of Little Europe, and it is now hoped here in Paris that some sort of a treaty will be ready for submission to parliaments by the end of this month. I say "some sort of a treaty" because many important difficulties have not yet been settled and the document is likely to be rather vague where it refers to them. But the crusaders for European unity are in a hurry, and the more fervent of them seem to imagine that their cause will have been advanced if six nations sign a treaty that leaves all the basic problems unmentioned. And perhaps they are right: on the most optimistic view, Euromarket will take 12 or 15 years to establish, so maybe the important thing is to get started as soon as possible and hope that difficulties will be resolved gradually.

One of these difficulties, which will probably be responsible for one of the vaguest passages in the forthcoming treaty, concerns the problem of how the colonial dependencies of Europe are to be associated with the free-trade area. I outlined the nature of this problem in two despatches last year (June 22 and November 2) but there has been much hard bargaining since the issue was first raised last May in Venice and the nations concerned have been gradually shifting their ground. They have not yet succeeded in finding an agreed way of bringing the colonies into the free-trade scheme, and it is possible that the Euromarket treaty will simply say that the colonies will be included "on terms to be agreed later". If you are British you will think this is an admirable example of "empiricism"; if you are not, you will think it is a very foolish example of nations walking blindfold into insoluble difficulties.

It should be emphasised that this question concerns only colonial dependencies; it does not concern sovereign states outside Europe even if they belong to a monetary area such as the sterling bloc or franc zone. There has been confusion about this in India where newspapers have discussed the problem of whether India should join Euromarket. The question does not arise. The British Government certainly consulted Delhi, and the other sterling area capitals, when London began to consider joining Euromarket but this was merely to discuss how Britain's dual obligations would be reconciled; there was never any suggestion that India or the others should have anything directly to do with a free-trade area. The problem does concern the colonies because, not being sovereign and thus having no independent economies, they can be co-opted into the free-trade area by the metropolitan country. And in the event, it concerns mainly the French Empire because the Belgian Congo is already by international treaty a free-trade area and other colonial dependencies of Europe are of minor importance. (I am assuming, what is certain, that Britain will never become a full member of Euromarket).

So the issue can be simplified into this question: is France going to throw open her colonies to free trade with the other European countries and if she does what return will they give her for this access to hitherto protected markets? Indeed, since West Germany will be France's biggest partner in Euromarket, we can simplify it even further: what price in the shape of investments is West Germany willing to pay for the right to sell goods in French colonies on equal terms with French industries? At present French industry derives very considerable benefits from the hermetic sealing of the colonial empire, for it thus has a market of 48 million people from which all foreign competition is virtually excluded. But it pays a high price for this benefit: firstly, it has to pay fancy prices for the exports of these colonies, and secondly, the French state has to meet all the costs of administration in these territories and moreover has to supply the increasing amounts of investment capital needed for their development.

Naturally, the French argument is that if French industry is to surrender the privileges of this protected market, then the main beneficiaries — namely, the Germans — should in return put up some of the investment capital required in the colonies. Paris has regarded this as one of its main bargaining counters in the negotiations about a common market, and French negotiators have been saying in effect: "The rest of the members of Euromarket are offering only their own domestic markets to the common pool, but we are offering France (population 43 millions) plus the overseas dependent territories (population 48 millions). What price do you offer for our extra contribution?" Somewhat to her surprise, the other partners have not been willing to offer very much at all.

Let us try to put a money value on what France is offering Euromarket, and on what she expects in return. The market she offers is at present worth about 500 milliard francs a year, or about Rs. 685 crores. That is, the French overseas territories now buy 500 milliard francs worth of their imports, out of total imports of 700 milliards, from France herself. If the colonies were included in the free-trade area, this volume of commerce would be open to the competition of West Germany and the other European partners.

What does France pay for this privilege — that is, what is the burden she can expect her partners in Euromarket to share in return for access to this market? First, she has to meet the costs of sovereignty — administration, education, defence and so on — which in a normal year (apart from such extra expenses as the war in Algeria) run to around 160 milliard francs. Secondly, she has to supply literally all the public investment in the colonies most of which is not profitable: roads, hospitals and the like; this runs to about 200 milliard francs a year, and of course, it will increase rapidly as the colonial populations grow and as their development needs rise. Thirdly, she has to pay an excess over free world market prices for the goods she imports from the colonies, and in fact she buys most of their exports; no exact figure can be given for this burden but it runs to some tens of milliards of francs. Lastly, she has to buy, in order to subsidise certain colonial industries, goods she does not need at any price, such as North African wines and spirits. That we cannot put a precise value on the third and fourth items is not important because these burdens

would presumably cease to exist if the colonies joined Euromarket, when they would have to sell at competitive prices, though the French Government might have to pay subsidies to compensate certain affected industries.

In all then, we can say that France is paying over 400 milliard francs a year for the privilege of selling 500 milliard francs of goods in the protected colonial market. (Incidentally, it is plain that this is very bad business but then there never was any money in imperialism, and only ignorant Leninists ever imagined that colonial powers showed a profit on their ventures. The main economic market in imperialism is that certain metropolitan industries make a profit at the expense, not so much of the colonials, as of the other metropolitan taxpayers). The present question is, how much of this 400 milliards a year can France unload on to her European neighbours in return for the market of 500 milliards a year?

Now, obviously, the other European nations are not going to subsidise favoured colonial industries, they are not going to pay special prices above world levels and they are not going to pay any part of the expenses of sovereignty, at least as long as France remains the sovereign. So we can write off 200 milliards out of 400, as impossible to share among France's partners. There remains the 200 milliards a year (Rs. 274 crores) required for public investment in the colonies. The first French suggestion was that all the members of Euromarket should contribute to this sum on a pro rata basis in proportion to their national incomes. This, the other nations refused. Then the French suggested that they would put up half this sum, if the others between them would find the other 100 milliard francs a year. This was refused too.

Paris then dropped its price considerably, by suggesting that France would put up the whole 200 milliards if the other European nations would add to this a lump sum of 70 milliard francs a year. This was a large retreat from the second plan because it would mean that France was supplying 75 per cent of the public investment capital and the others only 25 per cent. It was an ever larger retreat from the first suggestion because it would mean that France was contributing 3 per cent of her national income while the Germans were contributing 0.3 per cent of theirs, or one-tenth. The latest information is that even this modest contribution is being refused and that is why, if a Euromarket treaty is drawn up within a month, it will leave this whole issue in suspense by saying the colonies will be included "on terms to be agreed later".

The French, of course, are disappointed that their partners are unwilling to pay a price for their extra contribution. But look at it from the point of view of the Germans and you will see that what France is trying to sell can be had for nothing anywhere else. For what are the French really offering: only a collection of backward countries which now absorb a certain volume of trade and which will absorb much more if sufficient money is invested in their development. But that can be had anywhere in Asia, Africa and Latin America. Undeveloped economies that only need substantial investments to become markets for European manufactures are today two pence a dozen. Colonies cannot be put up for sale because, however much they may be worth to the metropolitan power, they are worth nothing to anybody else — unless they have oil resources, in which case they are not put up for sale.



WORLDGRAM

AGRICULTURE

Increase in Rice Acreage: The area under rice cultivation is up by three million acres during the current year—1956-57. Last year 76.3 million acres were under rice. The increase in the acreage is reported to be mainly in the States of Orissa, Andhra, Bihar and U.P. The crop being harvested in many parts of the country is good, particularly in Madras, Andhra, Orissa and U.P., according to latest reports. It is expected to be better than that of last year when the yield amounted to 25.3 million tons. Market reports show a decline in the price of rice in most parts of the country. Compared to the price ruling in October and November, prices in many States show a downward trend. The fall in prices range from a few annas to a rupee a maund. The downward price trend is attributed to the build up of stocks by Government from internal production and imports.

*

Rajasthan Land Reforms Bill: The President has given his assent to the Rajasthan Land Reforms and Resumption of Jagirs (Fourth Amendment) Bill, 1956. The Bill seeks to define the types of jagirs which are to be exempted from the application of the Rajasthan Land Reforms and Resumption of Jagirs Act, 1952. The Act exempts from its purview jagirs granted for religious purposes but difficulty was experienced in determining which of the jagirs fell under this category. The present Bill clarifies the position.

*

US Farm Surplus: The United States has concluded an agreement with Brazil whereby she will supply $138.7 million (£49,536,000) of agricultural products, mainly wheat, during the next three years under the Agricultural Produce Act. Brozil will pay in cruzeirs, the bulk of which she will retain as a long-term loan for development projects. It was announced that these loans would be applied mainly to hydro-electric power development and railway improvement. Although earlier Brazilian quarters had maintained that under the agreement they would be free to use these cruzeirs anywhere for the purchase of capital equipment, it is likely that American suppliers will be the essential beneficiaries. The agreement provides for the supply of 1.8 million tons of wheat or flour, valued at $111 million (£39,643,000), 15,000 tons of lard, 4,000 tons of vegetable oils, and $2.2 million (Nearly £800,000) worth of milk products. Goods other than wheat will be supplied during the current year. It is officially estimated that freight involved in the agreement will amount to some $19 million (nearly £6.8 million) which will be financed by the US. It is also estimated that products to be supplied to Brazil will cost the American Government about $222 million (nearly £80 million).

INDUSTRY

Anil Hardboard's New Venture: Production and manufacture of Hard Board and allied products from indigenous materials on a large scale for meeting the increasing building requirements of the country is being undertaken by a new venture of the ANIL HARDBOARDS LTD. The promoters of this venture Mr. R. L. Khanna, Director of Willcox (Buckwell-India) Private Ltd., New Delhi and Mr. G. R. Jolly, Managing Director of Jolly Bros. (Private) Ltd., Bombay have already finalised arrangements with Messrs. AKTIEBOLAGET DEFIBRATOR, Stockholm (Sweden) for the supply of machinery and installations for the factory. AKTIEBOLAGET DEFIBRATOR, Stockholm (Sweden) are a firm of international repute responsible for the installation of more than 75 per cent of similar hard board factories all over the world.

*

Thai Steel Plant Project: The Government of Thailand has signed an agreement with Messrs. Fried Krupp of Essen|Ruhr under which the West German firm would explore the possibility of erecting a steel plant in the country. The agreement follows a preliminary report made by Krupps experts on the iron and coal deposits in North Thailand early this year. On completion of a detailed survey, the Ministry of Industry is expected to enter into a new contract with Krupps for the setting up of a joint undertaking to exploit the iron and coal resources of the country.

*

Hindustan Machine Tool Factory: The State owned Hindustan Machine Tool Factory at Bangalore is to undertake, for the first time, in India, the manufacture of milling machines of the latest improved type. A contract for technical collaboration has been signed with M|s. Fritz Werner of West Germany. The factory will make 6 types of milling machines which will meet the demands of the Indian Railways, Defence Factories and new industrial projects like steel plants, the Heavy Electrical Equipment Factory and the jet engine project. It is expected that the production of these machines will begin in about 10 and 12 months from now. The Hindustan Machine Tool Factory, which is the only factory of its range and scope in India, produced for the second month in succession 24 high-speed precision lathes in December 1956. The factory has thus attained an annual rate of 300 lathes as against the original target of 57 lathes for the financial year 1956-57. Under the original programme, the target of 300 machine tools per year was to be reached in 1959-60. Technical Collaboration Agreements with other firms of repute for the manufarture of radial drills and circular grinders are under negotiation.

*

UK Steel Demand by 1962: An annual demand of 28,000,000 tons of steel by 1962 is envisaged by the United Kingdom steel industry. This forecast is made by the British Iron and Steel Federations quarterly Steel Review. In 1957 five new blast furnaces are due to be completed and eight new open-hearth farnaces are expected to come into operation as well as Bessemer and electric steel developments. No fewer than 358 coke ovens are scheduled for completion, of which 192 are for replacement. There are a number of important rolling mill developments. Looking further ahead, the Review says that full use of the facilities at present available, together with the new plant due to come into production, would make possible an output of some 23,500,000 tons in 1958. This is nearly 4,000,000 tons higher than actual output in 1955, and 7,000,000 tons more than in 1952 just before the second post-war development plan began.

*

Production of Bicycles: The production of bicycles in India in 1956 is estimated at over 6,15,000 as against 4,91,000 in 1955, and 3,72,000 in 1954. These figures do not include the production of the small-scale sector. Considerable progress has been made in the last six years in the bicycle industry which is one of the youngest industries in the country. In 1951, there were only two units engaged in the manufacture of bicycles with a rated capacity of 1,20,000 and actual production of 1,01,000 bicycles per year. There are now 65 large and small factories producing bicycles in the country. Of these 16 are in the Punjab, 13 in Delhi, 9 in Bombay 7 in U.P., 6 in West Bengal, 5 in Madhya Pradesh, 4 in Rajasthan, 2 in Madras and one in Bihar. The average daily employment in the large-scale sector of

the industry was 8158 in 1956 as against 6,493 in 1955 and 5,077 in 1954. It is estimated that about 6,500 persons are employed in the small-scale sector.

TRADE

Trade between Portugal and Germany: A considerable influx of German capital into Portuguese industry is expected within the next few years. This is the result, to a large extent, of the growing unbalance of trade between the two countries. In the first 10 months of 1956 imports from Western Germany were valued at 1,609 million escs. (£20 million) while the value of Portuguese exports to Germany amounted to only 464 million escs. (£5.8 million.) Trade discussion held in mid-December with representatives of the West German Government—with a view to increasing Portuguese exports, principally of wine to that country—reached no satisfactory solution, despite an urgent appeal to Bonn from German trade interests in Portugal for greater leniency with regard to imports from Lisbon.

*

Ceylon's Trade with Czechs: Ceylon has agreed to the establishment of a Czechoslovak trade mission in the island, the first trade mission from a Communist country to be set up there. The Czech Chamber of Commerce proposes to hold an Industrial Exhibition in Colombo on March 2, 1957, to last about three weeks. It is designed to acquaint business and industrial circles in Ceylon with present developments in Czech industrial products.

*

'Bidi' Exports Fall: Bidi exports from India are steadily declining. In the six months April to September, 1956, erports amounted to 1,100,000 lbs., against 1,200,000 lbs., in the corresponding period of last year. The quantities exported in 1954-55 and 1955-56 were 2.900.000 lbs., and 2,700,000 lbs. respectively. The fall in exports was mainly due to the lower offtake by Ceylon, the main customer. Exports to Pakistan also have been showing a sharp fall. The value of bidi exports by the land route to Eastern and Western Pakistan was about Rs. 10,500,000 in 1952-53 but it declined to a nominal figure of Rs. 1,764 in 1955-56.

FINANCE

Rise in UK Gold and Dollar Reserves: The United Kingdom's gold and dollar reserves rose by $168,000,000 last month, and stood at $2,133 million on December 31, the Treasury announced in London on January 3. During the month drawings on the International Monetary Fund (IMF) amounted to $561,000,000, and defence aid estimated at $6,000,000 was received from the United States; $49,000,000 was paid in gold or dollars to the European Payments Union (EPU) in respect of November, $3,000,000 was paid to creditors of EPU in bilateral settlements, and $189,000,000 was paid in respect of US and Canadian debt service, of which $104,060,000 is being held in special accounts. On the provisional figures for the month, the United Kingdom had a deficit of £8,000,000 with EPU which will fall to be settled in January, 75 per cent in gold or dollars and 35 per cent by increase of debt to EPU.

*

Israeli Budget: An overall increase of 10 per cent to 1,£850 million (£168 million) in both income and expenditure during the coming fiscal year is foreseen in the draft budget for 1957-58 recently approved by the Israeli Cabinet. The increase in income is not to be obtained by a new taxes but from larger income-tax yields—resulting from higher wage levels—and increased customs duties caused by larger imports. On the expenditure side, the allocation to development projects will be relatively smaller than in 1956, being up by only 8 per cent (to 1.£352 million), whereas ordinary expenditure is to rise by 13 per cent (to 1.£306 million).

Sterling Area's Gold Reserves: Following Britain's withdrawals from the International Monetary Fund the sterling area's gold and dollor reserves rose by $168 million during December to reach a total of $2,133 million—slightly higher than that at the end of the previous year. This offsets the month's trading deficit and also covers the $49 million payment to the European Payments Union. A Treasury spokesmon said Britain had a further credit with the Monetary Fund and the offer of a loan from the Export-Import Bank to the total value of $1,239 million. An additional $104 million will revert to Britain's reserves if her request to be excused payment of interest on her American and Canadian loans was granted.

*

New Companies Registration: During the first five months of the current financial year, 321 new companies with a total authorized capital of Rs. 64.05 crores have been formed as against 578 companies with an authorized capital of Rs. 52.3 crores during the corresponding period of the preceding year. Of the 321 new companies registered up to the end of August 1956, 31 were public companies, as against 79 registered in the first five months of 1955-56. With three more big and giant floatations in August, the total number of such companies having an authorized capital of Rs. 50 lakhs and above comes to 11. A notable floatation of the month is the Heavy Electricals Private Ltd., registered in Bhopal with an authorized capital of Rs. 30 crores. The sponsor is the Central Ministry of Production and the company is the biggest to be formed so far during the rurrent fiscal year, the other two Government companies having a very large capital base being the State Trading Corporation and the Western Shipping Corporation with authorized capital of Rs. 1 crore and Rs. 10 crores respectively.

*

UK-Japan Sterling Payments Pact: Britain and Japan have prolonged their sterling payments agreement, which was due to end in December by another one month. The extension would cover the final stages of the review talks which are expected to conclude by January 20. Under the old arrangements, Japan and the Sterling area, of which Britain is the banker, had expected to balance their trade during the past 12-months period at about £255 million each way.

GENERAL

Electricity Output: During August, 1956, public electricity supply undertakings in India produced 792.1 million kilowatt hours, of which 650.0 million kwh. were sold to ultimate consumers, 796.5 million kwh. were generated during the previous month. One diesel generating undertaking and four purchasing undertakings were the new additions during the month. The Diesel undertakings is situated at Chopan in U.P. and the purchasing undertakings at Ulhasnagar in Bombay, Jagatsingur in Orissa and Bari and Sirhind in Punjab. The output and sale of power in August, 1955, were 706.3 million kwh. and 574.4 million kwh. and in August, 1939, 213.1 million kwh. and 177.4 million kwh. respectively.

*

Employment Statistics: An increase of 2,721 in placements within a month was recorded by the employment exchanges in India which secured jobs for 16,889 registered unemployed during November 1956 as against 14,168 during the previous month. According to an official press release the number of registered unemployed at the end of the month dropped by 16,252 to 7,60,505. Fresh registration totalling 1,23,976 were effected by the employment exchanges during November, 1956, as against 1,20,683 during the previous month, showing an increase of 3,293. The number of employers who used the exchanges during the month was 5,293 as against 4,964 during October, 1956. The number of vacancies notified by them was 24,507 as compared to 22,663 during October 1956.

NEWS IN BRIEF

INDIAN

The estimated total output of iron ore in India increased to 380,186 tons in October, 1956 from 344,605 tons in September 1956, according to official statistics released by the Chief Inspector of Mines.

*

At the request of the Government of Ceylon the Government of India has decided to release some quantity of potatoes for export to Ceylon as a special case. Export of potatoes will be allowed from the port of Madras only.

*

Export of Indian cotton sewing thread and cotton thread other than sewing thread (including embriodery and crochet threat) within a ceiling of 4,33,000 lbs. and 67,000 lbs., respectively has been permitted to all permissible destinations excluding Tibet and the Portuguese possessions in India during the period January to June, 1957.

*

The export from Delhi of wheat products such as maida, suji, rawa, wholemeal atta, resultant atta and bran has been banned.

*

The production of aluminium in India in the first nine months of 1956 amounted to 4,227 tons compared with 5,300 tons in the corresponding period of 1955. Total production in 1955 was 7,225 tons, against 4,486 tons in 1954.

*

The Rajasthan Government has constituted a Committee to promote the cultivation of better quality cotton and suggest measures to increase cotton producion in the State.

*

The President has given his assent to the Uttar Pradesh Industrial Disputes (Amendment and Miscellaneous Provisions) Bill, 1956. The Bill seeks to amend the U.P. Industrial Disputes Act, 1947 with a view to bringing it in conformity with the Central legislation on this subject.

*

Production and despatches of sugar from indigenous factories amounted to 2.65 and 2.18 lakh tons up to December 15, 1956, in the current season as against 1.91 and 1.87 lakh tons respectively in the corresponding period of last year.

*

A Trade and Goodwill Delegation from Denmark will arrive in India on January 14, at the invitation of the Government of India. The Delegation during its tour will see the progress made in the various sectors of the industry in India and explore the possibilities of industrial collaboration and expansion of trade between the two countries.

*

A draft Indian standard method for detection and estimation of damage in cullulosic textile materials due to micro-organisms, has been circulated by the Indian Standards Institution for eliciting comments.

*

Salt production in India reached 119,000,000 maunds in 1956, the highest ever achieved by the industry, according to official estimates.

FOREIGN

Britain has made available to the U.S. $81.6 million (£29,143,000) in interest charges on the World War II Lend-Lease debt and post-war loan of $3,750 million (£1,340 million).

*

Indonesia has signed a contract for the purchase in Italy of machinery for the construction of a plant for prefabricated houses and their parts in Sumatra, for a total value of 2,000 million lire.

*

Pakistan's reserves fell by about Rs. 123 million (nearly £10 million) during July-September, 1956, according to official figures. The balance-of-payments deficit according to the Ministry of Finance was due to a substantial increase in imports of food grains as well as to a seasonal fall in the volume of exports.

*

In the 1956-57 financial year, direct taxes in Denmark increased by 6.5 per cent to a record of Kr. 4,278 million distributed as: personal taxes Kr. 3,326 million and company taxes Kr. 430 million.

*

Denmark exported machinery and electrical equipment worth Kr. 816 million up to November 1, 1956. This item is now second on the export list, preceded only by bacon and pork — with Kr. 984 million for the first ten months of 1956 — and before butter, with Kr. 700 million.

*

It is reported the first Joint Trade Agreement between Denmark and the Beneluxe countries has been signed.

*

By the end of November 1956, Yugoslav exports amounted to $281 million, the planned level for the whole of 1956. Exports in November, 1956 totalled $28.3 million which is $3.3 million more than at the same month in 1955. The value of imports in November totalled $38.9 million against $28.3 million in November, 1955.

*

The United States has released aid funds totalling 6,000 million dinars (about £7.2 million) for the development of Yugoslav territory which was part of Italy until the end of World War II.

*

Mercury has been added to the list of Turkish raw material which may be exported for processing abroad.

*

The Agriculture Department of U.S.A. predicts that world exports of cotton will total about 14.5 million bales of 500 lbs. each during the marketing year ending next July 31.

*

The Brussels steel cartel has, with immediate effect, raised the prices of steel exporetd to countries outside the coal and steel pool area.

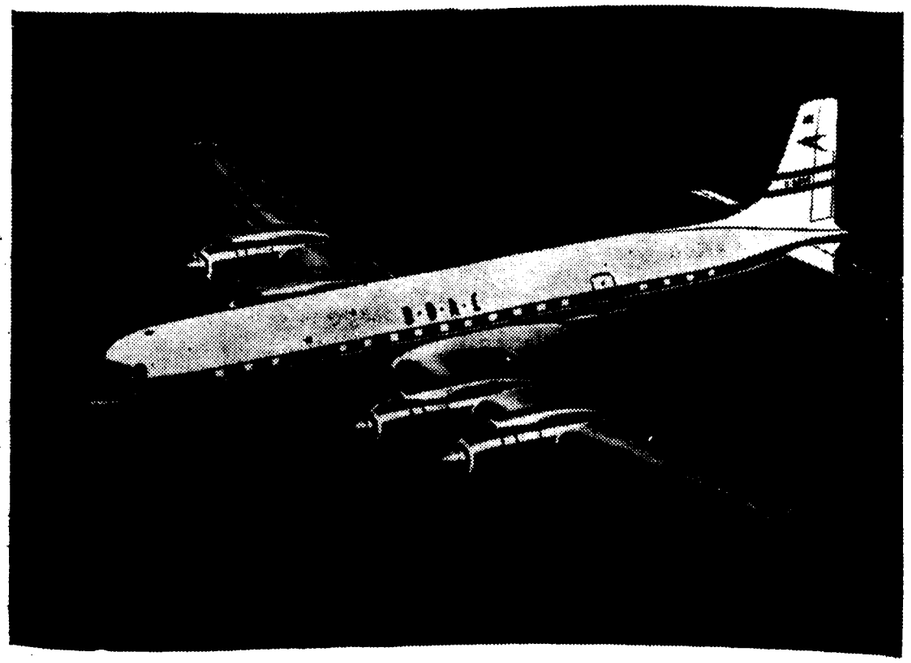
*

The International Co-operation Administration has announced a $4 million (£1,428,500) loan to Iceland to finance essential general imports.

*

The price of high-grade lubricating oil in West Germany for turbines, transformers, etc. — and that of fuel oil for use as raw materials for the pharmaceutical and allied industries has been raised from £5 to £7 per ton.

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Special Articles

FORWARD TRADING IN NON-FERROUS METALS

REGULATION of forward trading on an all-India scale has started in this country with the coming into force of the Forward Contracts (Regulation) Act of 1952. The Forward Markets Commission was established to assist the Central Government in the administration of the Act. Prior to the inauguration of the new Constitution, it must be noted, the Central Government did not have the necessary legislative powers to regulate forward trading in the whole of the country.

The services rendered by a forward market are many. Essentially, it operates as a mechanism for co-ordinating the community's current plans and future expectations and it makes for an integrated price structure throughout the country subject only to frictional differences. It also introduces an element of stability in the trend of prices by smoothening out rapid and violent fluctuations and enables buyers and sellers to insure themselves against price uncertainties arising from frequent changes in market supply or demand. The Forward Markets Commission is mainly entrusted with the task of making a study of the forward market in a particular commodity with a view to inquiring whether the market should be brought within the regulatory provisions of the Forward Contracts Act and to enquire into the claims of various associations for recognition to conduct forward trading.

During the course of 1955, the Commission submitted seven reports on the recognition of associations relating to 10 commodities as follows: (1) Cotton (2) Castorseed and castor oil (3) Linseed and linseed oil (4) Cottonseed (5) Groundnut and groundnut oil (6) Turmeric and (7) Coconut oil. Last year, it submitted a report to the Government on the recognition of associations in respect of forward contracts in copper, zinc, lead and tin. It has argued cogently the case for permitting futures trading in these four commodities which the Government have now accepted.

There are certain essential factors to be taken into account while considering the suitability of a commodity for the purpose of futures trading. They are: it should be capable of being graded and standardised; its supply should be large enough to prevent its being cornered by a small number of operators; it should have a wide demand so that the market would not be influenced unduly by monopolistic forces; it should not deteriorate and should be capable of being stored for long periods; and there should preferably exist a tradition in futures trading in the commodity. It must also be noted as a general rule that during situations of pronounced imbalance between supply and demand, futures markets have a tendency to accentuate the rise or fall in the price of the commodity to the detriment of the interests of the community and it is not desirable to permit trading during such situations. So, the various factors affecting supply and demand have to be carefully examined before permission for trading can be granted and these include the level of current stocks, imports and exports, supplies available for internal consumption, trend of prices at home and abroad and so on.

In India, there has been no ban at any time on forward trading in non-ferrous metals and the trading, which has been traditionally confined to copper, lead, zinc and tin, has been conducted on an organised basis for the last 30 years at Bombay. These commodities fulfil the conditions necessary for being traded in a futures market. They are homogeneous in character and the varieties in which they are marketed are standardised and graded before sale. Also, they are capable of being stored for long periods and the quality does not undergo deterioration. The demand for these metals springs from fabricating, rolling, drawing and manufacturing industries located all over the country and it is large and steady. Though indigenous production is relatively small, sufficient imports are generally obtained to provide adequate supplies of the metals for the requirements of the country.

All the participants in the metal industry—producers, smelters and refiners, consumers, manufacturers, scrap merchants, stockists and merchants and others—are enabled by the futures markets to effect whatever "covering" transactions their business calls for and quickly to adjust their metal position. They are thus enabled to avoid losses arising out of fluctuations in raw metal prices and to concentrate on their mining, smelting, manufacturing, merchanting or other activities. Another advantage is that the futures market facilitates the fixation of daily prices arrived at as a result of the free inter-play of international factors of demand and supply. Copper, zinc, lead and tin are produced in various parts of the world under varying conditions and India has to depend largely upon its imports from those countries. The provision of a definite and agreed price basis, objectively and impartially registered, is therefore a distinct necessity to facilitate business at all stages in the non-ferrous industry. In the UK and USA, futures markets have been established for handling commodities which are not locally produced and which are largely imported and so in India too, in the case of copper, zinc, lead and tin, which are largely imported, a futures market can be utilised for minimising losses arising from price fluctuations. The increase in the risks of trading will naturally give rise to a comparative increase in the demand for hedging facilities. The regulation of such a market is also of prime importance as it is more susceptible to fluctuation.

In the location of the futures market, certain factors have to be taken into account like nearness to producing areas and consuming centres, transport and communication, storage, banking and insurance facilities, general commercial importance of the locality and the tradition in futures trading. Bombay city as a centre of the non-ferrous metal industry satisfies many of these conditions and hence it has been selected as the suitable centre for location of a futures market in copper, zinc, lead and tin. As regards recognition of an association, it is governed by the requirement that it should be in the interest of the trade and also the public. The fact of recognition confers on the association concerned a special privilege inasmuch as forward contracts entered into between members of the associations not so recognised become illegal. The association selected for recognition should not only be representative of all the interests concerned and possess the necessary financial resources, but should also have the experience of dealing in the commodity concerned. The Bombay Metal Exchange Ltd., which was the only the applicant and fulfilled these conditions, has thus been given recognition. The Bombay Metal Exchange Ltd. is the successor to the Metal Traders' Association Ltd. and the Metal Exchanges' Association Ltd., which have been amalgamated to form one body, and the members of these associations have had experience of futures trading in copper, zinc, lead and tin for almost 20 years.

This article can appropriately end with a brief discussion of the importance of these non-ferrous metals

in the economy of a country set on a course of rapid industrialisation. Copper, zinc, lead and tin are also strategic metals stockpiled by countries like the USA. The United States ranks first and produces about one-third of the total world production of copper, which was estimated at 2,700,000 tons in 1955. India produced 7,192 tons of copper ingots and this indigenous production just satisfies about 28 per cent of the total demand in the country. The present overall demand for copper is estimated at about 25,000 to 30,000 tons per annum and the large hydro-electric schemes, the projects for rural electrification, manufacture of boilers, cables etc. would give rise to a considerable expansion in the demand for copper.

In zinc also, the US ranks first and accounts for about 20 per cent of the total world production estimated at 2,803,000 tons in 1955. In India, the production of virgin zinc is not undertaken on a commercial scale as the quantity of zinc concentrates having a zinc content of about 55 per cent is only 5,000 tons and this has been considered uneconomic for establishing a smelting unit for producing virgin metal. The present overall demand for zinc is estimated at about 30,000 tons per annum and it is chiefly consumed by the iron and steel industry for production of galvanised sheets. Its demand is also expected to increase considerably with the industrial expansion of the country.

In the production of lead, USA, Canada, Mexico and Australia account for nearly half of the total world production which was 2,932,000 tons in 1955. India's production which was 2,375 tons satisfies about 14 per cent of the total demand. The chief users of the metal are the pigments, telephone, electrical and chemical industries and the present overall demand is estimated at about 15,000 tons per annum. Consumption of lead in the various industries is likely to increase due to large hydro-electric schemes, projects for rural electrification, atomic energy plants, telephone equipments industry, plastic industry and other industries.

Malaya ranks first and produces about one-third of the total world production of tin which was 167,000 long tons in 1955. Production of tin in India is, however, negligible. Because of its good resistance to corrosion under many conditions, tin has been able to find extensive uses in the manufacture of tin plates and alloys. Tin and its alloys find a variety of uses in many industries and the present overall demand in the country is estimated at about 4,000 tons which is bound to increase with the further rapid industrialisation of the country.

GROWTH OF INDUSTRIAL TOWNS IN INDIA

(CONTRIBUTED)

THE term "industrial town" is used frequently, although there is no widely accepted definition of it. It is, therefore, desirable to define it so as to help anybody to ascertain on the basis of easily available data, which town is industrial and which is not. The phenomenal increase of urban population during 1931-51 is attributed to a large extent to rapid industrialisation. Improvement in social services also might have contributed to the growth of population in towns. Industrial progress might have facilitated improvement in social services. The relation between the growth of population and the livelihood pattern of population is very complex. An attempt is made here to study this phenomenon. Census data of 1951 are used, although they have certain limitations. But they help us to understand the conditions in 3,018 towns.

Towns are of two types — relatively industrial towns and relatively service towns. After defining the term "relatively industrial town" there will be no difficulty to define "relatively service town". Some of the relatively industrial towns can be said to be absolutely industrial towns. Before we proceed to define these terms, it is necessary to mention that the 1951 census data regarding means of livelihood have been presented under eight groups — (i) Cultivators of land wholly or mainly owned, (ii) Cultivators of land wholly or mainly unowned, (iii) Cultivating labourers, (iv) Non-cultivating owners of land and other agricultural rent receivers, (v) Production other than cultivation, (vi) Commerce, (vii) Transport and (viii) Other services and miscellaneous sources. The last category includes persons whose means of livelihood are health, educational and administrative services, non-agricultural rentiers, pensioners, miscellaneous income recipients etc. These data can be used to determine the nature of each town.

A town may be said to be relatively industrial if the population whose means of livelihood is "production other than cultivation" (i.e. group v) is larger than the population in any one of the remaining seven groups. In Banaras "production other than cultivation" was the means of livelihood for 35.4 per cent of the population, while commerce was the means of livelihood for 24.8 per cent, transport for 6.1 per cent, other sources and miscellaneous means for 30.7 per cent and agriculture (groups i to iv) for 3 per cent of the population. According to this definition Banaras is an industrial town. Out of the 558 Indian towns, each with a population of 20,000 and above 97 only are relatively industrial. The rest are service towns, prominent on account of Government offices, commercial establishments, educational institutions etc. Allahabad, Cuttack, Lucknow and Madras are not relatively industrial towns. Bhadravati, Gadag, Kamarhatti, Sagar and Tuticorin are relatively industrial. In the 97 relatively industrial towns the percentage of population whose means of livelihood is production other than cultivation ranges from 26.6 in Yadgir, a town with a population of 22,039, to 74.8 in Titaghar, a town with a population of 71,622. In Kothagudem, a town with a population of 50,194, production other than cultivation was the means of livelihood for 77.2 per cent. It may be having many industrial units with labour-intensive technique of production. Capital investment and production in Kothagudem may be insignificant compared with those in Titaghar. On the basis of census data we cannot separate industrial towns with labour-intensive technique from towns with capital-intensive technique. Another serious limitation of the census data is that a person who both makes and sells a commodity is shown under production other than cultivation, while a person who sells only is shown under commerce. In Ahmedabad production other than cultivation is the means of livelihood for 52.0 per cent of the population, while in Malegaon it is the means of livelihood for 58.0 per cent. In Malegaon many may be both weaving and selling cloth, while in Ahmedabad a negligible number may be both weaving and selling cloth.

A town may be said to be absolutely industrial if the population whose means of livelihood is "production other than cultivation" is larger than the population in all the remaining seven categories put together. It means that more than 50 per cent of the population have production other than cultivation as means of livelihood. According to this definition, Budge Budge is an absolutely industrial town, while Bombay is not. Bombay is a relatively industrial town, because production other than cultivation is the means of livelihood for 35.0 per cent of the population, commerce for 24.3 per cent, transport for 8.4 per cent, other services and miscellaneous sources for 31.7 per cent and agriculture for 0.6 per cent. Out of the 558 towns each with a population of 20,000 and above, 28 only are absolutely industrial. Out of these 28, Titaghar, Kolar Gold Field, Jamshedpur, Sholapur, Ahmedabad, Mettur and Bhadravati are well known. The remaining 21 are probably important on account of Cottage and Small-Scale Industries.

There is no difficulty to trace the growth of population in each of the 558 large towns and the remaining 2,460 minor towns and townships. But it is extremely difficult to trace the changes in the livelihood pattern of poulation in even half a dozen towns. The eightfold classification of the means of livelihood was adopted in 1951 census only. Some arbitrary principles have to be followed for grouping various subgroups of occupations in earlier census years and bring them to a basis comparable to that of 1951. Data regarding these towns are scattered in different district and state reports. We shall, therefore, study the livelihood pattern in 1951 in relation to the nature of growth of population during 1931-51. The hypothesis underlying this is that the changes in economy of the town determine the nature of the movement of its population. The movement of population in the past explains the present pattern of livelihood and indicates the future.

The growth of population since the beginning of the present century may be taken into consideration. Population in seven towns increased during 1901-51 by more than 400 per cent. The rate of growth in many towns during 1901-31 was not significant, while the rate of growth during 1931-51 was significant in most of the towns. Out of the present 97 relatively industrial towns 76 only were in existence in 1901 and 85 in 1931.

Out of these 85 towns existing in 1931, the population of 5 towns increased by more than 200 per cent. Because there were more towns in 1931 than in 1901, and because the growth during 1931-51 was more significant than in earlier decades., study of the growth of population since 1931 is preferred to that since 1901. The following table shows the distribution of towns according to the rates of growth of their population during 1931-51:

S. No.	Percentage rate of growth	Number of towns	Percentage of towns to total
1	2	3	4
1.	Below 30	6	7.0
2.	30 — 39	6	7.0
3.	40 — 49	10	11.9
4.	50 — 59	9	10.6
4.	60 — 69	7	8.2
6.	70 — 79	4	4.7
7.	80 — 89	5	5.9
8.	90 — 99	8	9.4
9.	100 — 109	6	7.0
10.	110 — 149	11	13.0
11.	150 — 199	8	9.4
12.	200 and above	5	5.9
	TOTAL:	85	100

There is no special reason for adopting the above groups of rates of growth. In groups 6, 7 and 12 there are a few towns.

The following table shows the livelihood pattern of population in different groups of towns:

S. No.	Percentage rate of growth of population	Production other than cultivation	Percentage of population with means of livelihood. Commerce and transport	Other services and miscellaneous sources	Agriculture	Total
1	2	3	4	5	6	7
1.	Below 30	37.7	23.9	20.6	17.8	100.0
2.	31 — 39	41.7	25.5	25.6	7.2	100.0
3.	40 — 49	41.5	25.6	24.5	8.4	100.0
4.	50 — 59	46.2	20.5	22.0	11.3	100.0
5.	60 — 69	41.0	26.7	24.0	8.3	100.0
6.	70 — 79	37.2	31.7	26.4	4.7	100.0
7.	80 — 89	49.2	20.3	22.5	8.0	100.0
8.	90 — 99	45.9	23.1	26.0	5.0	100.0
9.	100 — 109	48.2	22.9	26.7	2.2	100.0
10.	110 — 149	41.8	27.9	28.3	3.0	100.0
11.	150 — 199	46.7	24.7	25.5	4.1	100.0
12.	200 and above	53.3	17.0	20.2	9.0	100.0

Figures in cols. 3 to 6 are the averages of the towns in corresponding groups. Towns in the first group have a remarkably large percentage of population depending on agriculture. The growth of their population was not much. It appears they had practically no industrial progress and no immigration. Livelihood pattern in towns in group 3 is not quite different from that in towns in group 2. Towns in group 4 also have many persons having agriculture as means of livelihood. Probably many of those having non-agricultural production as means of livelihood were processing foodstuffs, fibres and products of the animal kingdom. It appears that the growth of population in towns in group 10 was facilitated more (or equally) by some increase in commercial, transport and other services than by the establishment and expansion of establishments of non-agricultural production. Local enquiries are essential fully to explain the conditions. It is also probable that progress in non-agricultural production leads to an increase in commercial, transport and other services. It appears that even in relatively industrial as well as in absolutely industrial towns improvement in services contributed to the growth of population.

It is too well known to explain that there is a relationship between the secondary sector of economy and the tertiary sector. Livelihood category 8 includes persons whose means of livelihood is public administration, health and educational services also. This category has no direct relation with non-agricultural production. A town with many government offices and schools may have just a few establishments of non-agricultural production. But the relation between production other than cultivation and trade and transport is intimate. We shall, therefore, examine the population in these three means of livelihood. The following

table shows (1) the population in production other than cultivation and (2) the total of population in commerce and transport:

S. No.	Town	Secondary	Tertiary
1	2	3	4
1.	Yadgir	5,859	5,983
2.	Sikandrabad	6,162	8,299
3.	Kovilpathi	8,944	8,967
4.	Damoh	11,532	13,268
5.	Gondia	11,881	14,155
6.	Trippur	18,879	16,817
7.	Ratlam	19,840	21,917
8.	Mirjapur	21,148	27,820
9.	Jhansi	33,857	35,336
10.	Tuticorin	35,817	36,620
11.	Moradabad	49,339	48,422
12.	Salem	92,418	50,381
13.	Surat	98,021	62,883
14.	Indore	128,320	71,519
15.	Madurai	140,639	94,389
16.	Howrah	143,939	158,889
17.	Kanpur	269,063	181,023
18.	Ahmedabad	409,597	193,942
19.	Bombay	994,102	929,311

We have selected these 19 towns with the purpose of understanding the relation between the two sectors. These towns fit into a straight upward curve. Thirteen of these are very important industrial towns, while the rest are small, probably typical of rural India. The above data show a strong correlation coefficient of more than 0.97. If Bombay is kept out, the correlation coefficient works to about 0.94. If Bombay and Ahmedabad are kept out, the correlation coefficient works to about 0.95. The correlation coefficient in the group of the first six towns, which are not well known, is a little more than 0.94.

The remaining 78 industrial towns show no relation between the secondary sector and the tertiary sector. The probable reason is that cottage and small-scale industries are of importance in those town. In such towns secondary and tertiary sectors overlap.

The upshot of the above analysis is that some towns are relatively industrial, while some of them are absolutely industrial. We may define the relatively industrial town as one wherein the number of persons whose means of livelihood is non-agricultural production is larger than that in any one of the remaining seven categories of the means of livelihood. We may define the absolutely industrial town as one wherein more than half the population have non-agricultural production as means of livelihood. It appears towns with a population increase of less than 30 per cent during 1931-51 did not have much industrial progress. In them many persons continue to have agriculture as means of livelihood. It appears towns with a population increase of 110 to 149 per cent during 1931-51 had considerable improvement in social services, besides industrial progress. In 19 out of 97 relatively industrial towns there is a strong correlation coefficient between the secondary sector of economy and the tertiary sector. In the remaining towns the two sectors overlap.

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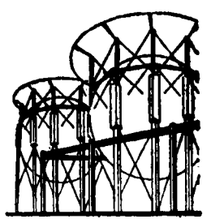
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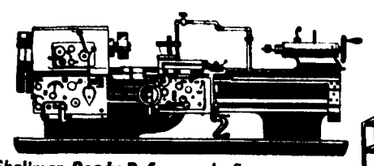
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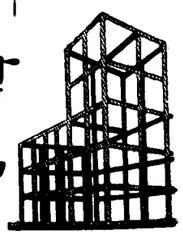




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BOOK REVIEWS

COMPANY LAW

The Companies Act, 1956: T. R. Srinivasa Iyengar, B.A., B.L.: Madras.: Rs. 22-8.

This is a publication brought out by Mr. T. R. Srinivasa Iyengar, a leading advocate of Madras. There is a foreword to it by the Chief Justice of Madras. As has been mentioned in the Foreward itself, the book under review does not offer an exhaustive commentary on the new Company Law. The subject-matter has been so arranged as to include references to the corresponding sections of the old Act, as also the English Act of 1948. There is an exhaustive introduction which narrates how the new Act came to be passed. The publication also includes, by way of appendices, important extracts from the Company Law Committee Report, Companies Regulations, 1956, Central Government Rules and Forms, sections relating to the Central Government and its powers, documents to be kept by a company and to be filed with the Registrar, offences under the Act and sections relating to Private Companies.

It is most unfortunate that none of the books which have so far appeared on this subject, including the one under review has dealt with the new sections except in just a cursory way. In writing commentaries, it seems to be often forgotten that the new Act, which both amends and consolidates the law, contains several complicated provisions which require explanation and on which the company management is in dire need of light and guidance today. It is precisely by throwing some light on these dark nooks and corners of the Company Law that the commentary can help and, only to the extent that it succeds in this task, it makes the book useful and of practical value. Too often, the authors are content with quoting relevant extracts of the Company Law Committee and the Report of the Joint Select Committee.

Apparently because of the ready market for books on Company Law, a number of books on the subject have appeared. Several of them have little or no comments to offer on controversial sections which have baffled company managements, nay even the Company Law Administration. One would, for example, expect a well-informed comment on that tricky individual called an 'associate' of the Managing Agent. The vast number of relatives and the impossible task assigned to a director to find out who these relatives are and to keep a vigilant eye on their connections with the company on all matters have greatly bewildered those whose task it is to find a way out of this vast mass—or is it mess?—of legislation. What the company management wants to know is the exact implications of the term 'associate' of the Managing Agents.

Similarly, the provisions of Sec. 314 also require to be explained. Even a simple matter like whether, in computing the number of private and public companies of which an individual can be a Managing Director, private companies are to be excluded has not been answered by writers on Company Law as yet. Another question which has troubled company managements is whether contracts under Sec. 299 require to be placed before the Board for approval. The circumstances in which a person will be deemed to be a director of another company too need to be explained and elucidated. Again, take the question: when does a director become a Managing Director? The Act says that the conferment of any power of management would make a Director a Managing Director. In their many interviews with individuals and associations, those concerned with the administration of the Act have attempted to offer some explanation, which only boils down to this: "each case has to be judged on its own merits!" But, then, how long is one to wait because a public company cannot appoint a Managing Director without previous approval of Government? To wait for judicial decisions on the subject and then to incorporate them in the commentary would take years. Meanwhile, a learned commentator can considerably ease the task of business men by giving his own reasoned interpretation of the new provisions.

To say that the author of the publication under review has failed in this task is only to show that, so far, no commentator, including those of repute, has actually gone into this matter. Failure to do so means that publications of the kind go only to add to the number of ordinary books on the subject without being really useful. It is, indeed, time that somebody undertook the task of writing a commentary on the new Company Law with a view to helping the business man exactly on those points on which he feels a little lost at present.

THE SPIRIT OF OUR TIME

Spirit of Our Time: A collection of essays edited by Prof. Joginder Singh and Desh Raj Goel: Publishers Jiwan Prakashan, Delhi: Pp. 400: Price Rs. 10.

Independence and security — that is the spirit of our time. And that is the basic theme in this remarkable collection of 53 essays and discussions. Though written by different people at different times and in different contexts, and each essay being naturally complete in itself, a collected reading facilitates deeper understanding for there is a common thread running through the whole fabric. The authors inclue eminent thinkers in different fields like Jawaharlal Nehru, Dr. S. Radhakrishnan, Jaya Prakash Narayan, Ilya Ehrenberg, H. J. Bhabha, Philip Spratt. M. R. Masani and many others covering diverse, wide range. The subjects, brought within the covers of a single book, relate to all sorts of problems from politics to literature, from philosophy to administration, from science to religion, from economics to culture. In presenting this collection, essentially for intelligent students of contemporary affairs, the Editors seem to have the purpose of acquainting them with what is happening in the world around us and how various influences determine the shape of things. It becomes clear that, in order to make continuous progress, it is imperative to keep the mind open and not let it be obsessed with any one aim or course of action. In the essays the emphasis is on the importance of moral and ethical responsibilities of man if he is to emerge successful out of the crisis that the world of today presents.

Appropriately enough, the volume contains the bulk of articles either concerning India or what is applicable to India. To that extent it is highly useful to persons preparing for competitive examinations. It is, nevertheless, equally useful and stimulating for students abroad who want to keep in close touch with the latest currents in thinking. Rich in content, this new kind of anthology should find its place in all good libraries.

COMMERCE

Commerce — 1956 Annual Review Number: Published at Brady House, Veer Nariman Road, Bombay: Editor: S. V. Rayan. Pp. 220: Price Rs. 7-8-0.

This is the biggest Annual Number ever produced by our contemporary, 'Commerce' of Bombay. This bumper Number contains 48 special articles on a wide

range of subjects of current importance, besides a review of all aspects of Indian economy in 1956. Among the leading contributors are Mr. A. D. Shroff, Mr. Robert L. Garner, Mr. L. K. Jha, Dr. Chandrasekhar, Dr. P. S. Lokanathan, Dr. D. T. Lakdawala, Mr. C. H. Bhabha, Mr. H. M. Patel, Mr. S. V. Ramamurthy, Mr. P. N. Thapar and Mr. T. Viswanatham. The leading article is entitled "1956 in Retrospect". Mr. A. D. Shroff and Mr. Tulsidas Kilachand deal with free enterprise and India's economic philosophy respectively. Mr. Robert L. Garner, President, International Finance Corporation, emphasises that the attitudes and actions of State are important in the creation of conditions for development through private enterprise. Mr. L. K. Jha deals with machine-building industries. Dr. P. S. Lokanathan, in discussing the need for foreign aid, observes that India should not be apologetic in seeking it. Dr. Lakdawala analyses the Kaldor proposals for tax reform and rejects the ones for an expenditure tax and a tax on wealth as unacceptable.

Dr. Zahid Hussian, Chairman, Planning Board, Government of Pakistan, outlines the philosophy and basic features of his country's first Five-Year Plan 1955-60. Mr. B. T. Thakur analyses the causes of our financial and credit insufficiency. Mr. V. R. Sonalker discusses the question whether commercial banks should make medium-term advances to industries. Among the other subjects covered are: Private enterprise in the second Plan, External Resources, Cottage Industries, Branch Banking, Life Insurance Corporation, India's Public Debt, Indo-British trade, Russian trade offensive, Agricultural Taxation, Recent trends in Capital market, Road Transport, Chemical Industry, Coal transport, Rubber goods industry, Soap Industry, Water-power resources, Oil Industry, the new Company Law, Aluminium Industry, Engineering Industries, sugar industry etc. The subjects covered are so many that they can only be just mentioned in this brief review. As so much care has gone into the preparation of this valuable Annual Number, it merits equally careful study.

CAPITAL

Capital — Annual Review of Commerce, Trade and Industry, December 1956: Published at 5, Mission Row, Calcutta: Editor: George Barrell: Pp. 148: Price Rs. 5|-.

The latest Annual Number of 'Capital' containing feature articles on a wide range of subjects of topical importance, maintains its usual high standard and utility as a source of reference. Among the contributors are such well-known names as Joan Robinson, V. T. Krishnamachari, Geoffrey Tyson, Neil McInnes, Dr. V. K. R. V. Rao, P. R. Brahmananda, Tulsidas Kilachand, Naval H. Tata, P. C. Jain and Prof. B. R. Shenoy. Mrs. Robinson's critical piece finds the first place in the Number. It deals with the second Plan's approach to unemployment and contends that full employment is possible even within the short duration of the Plan if investment is made in correct techniques. In her view, "there appears to be a deep-seated contradiction in the conception of the Plan. On the one hand strong emphasis is laid on the importance of building up capital-good industries, and on the other hand conditions of surplus labour, which indicate restraint upon the installation of the capital equipment which those industries can produce, is expected to persist. The relevant question to ask is: How many quinquennia are to pass before full employment is reached and how soon will equipment begin to be produced?" The question may be embarrassing to the Planners, but it has to be answered.

Mr. Geoffrey Tyson deals with the European common market idea and the changing pattern of Commonwealth trade. Mr. Neil McInnes analyses the social costs of economic progress; in a highly thought provoking essay he spotlights the various kinds of conflict in an industrialising society like India's. Dr. V. K. R. V. Rao describes the foreign exchange needs of the second Plan. Prof. P. R. Brahmananda pleads for a revision of the second Plan so as to place greater emphasis on consumption goods. Mr. Naval H. Tata pleads for closer collaboration between public and private enterprise. Prof. B. R. Shenoy, in analysing the prospects of the second Plan, concludes that "if market prices must be restrained, the programme of investment under the second Plan must be revised downward so as to prevent further deficit financing. Alternatively foreign aid must be stepped up to match the gap in real resources." No review of this kind can do full justice to a valuable Annual Number which contains a wealth of articles. It would amply repay study.

WAGES

Wage Policy in Outline: By Sri R. G. Gokhale: Publishers: The National Institute of Labour Management, Bombay: Pp. 40: Price 12 as.

There is no gainsaying the appropriateness and timeliness of a pamphlet on wage policy, especially today when persistent agitation is going on by workers and their organisations for an upward revision of wages, and also when the problem of formulating a National Wage Policy is steadily looming up. The delicate vessel of Industrial Peace, which is of paramount importance for the success of our second Five-Year Plan, may well founder on the deceptive rocks of unsolved and insoluble wage disputes, if adequate care is not exercised in regard to this question. Nothing but a sound wage policy, based on a real assessment of the needs of the worker, on the one hand, and his precise contribution to industrial production on the other, as the author rightly observes, can ensure industrial peace. With the rich and varied experience he possesses, Mr. R. G. Gokhale, Chief Labour Officer to the Millowners' Association, Bombay, is among the very few in India who are competent to write dispassionately on labour problems. He is not just a Labour Officer but a keen student of several years' standing to boot of labour-management problems. By bringing out this pamphlet, he has, in a way, provoked the policy-makers, the industrialists and the trade unionists to turn their attention to the several aspects of this vital issue.

The pamphlet under review highlights not only the various important facets of the problem, but shows that the different theories of wages, like the Subsistence Theory and the Marginal Productivity Theory, do not even take account of the many factors involved in the formulation of a proper wage policy. Hence his terse thesis, to put it in a nutshell, that a wage policy, the formulation of which is by no means easy, should take into consideration several factors, such as the capacity of the industry to pay, the price policy of the Government, the productivity of labour, the kind of employment, the production plans, the human needs of the workers, and so on.

Even within the brief compass of a small pamphlet of but 40 pages, Mr. Gokhale has admirably outlined, in a very lucid and comprehensive way, an important and baffling problem such as wage policy. No earnest student of labour can afford to miss such a pamphlet.

The Business World

WILL THE U.K. TEXTILE DELEGATION FACE FACTS?

By

(CROESUS)

AS these lines are being printed, the UK cotton industry delegation, headed by Sir Cuthbert Clegg, will probably have begun its round of discussions with representatives of the Indian cotton mill industry in Bombay for the restriction of Indian cotton textile exports to the UK. It should be obvious to any dispassionate student of the whole gamut of Indo-British trade relations that this demand of Lancashire textile interests is hardly tenable, especially today, whatever may have been the justification for it at the time—there was none at any time, as far as we can see—the demand was originally made, namely in the second quarter of 1955. The utmost that could be said for the demand is that it is understandable, coming, as it does, from Lancashire, which once exported 3000 million yds. of cloth to India. Conditions have greatly changed and these changes must be accepted by all, as much by Lancashire as by India and the rest of the world. But Lancashire apparently is in no mood to do it, which is not only not realistic but is also not prudent.

What is at once intriguing and interesting is that almost the entire British Press—in particular the financial Press—has joined in this agitation and has been vigorously supporting the stand of Lancashire. Even the team of British editors who were recently invited to this country to study at first hand the working of our Five-Year Plans lost no opportunity to canvass Indian support to what they called a scheme of voluntary restriction by India on exports of her cloth to the UK. Evidently, the industry in that country, as also the British Government, has briefed the Press fully on the subject. This is rather in striking contrast to the strange silence that the mill interests—save for one honourable exception—the articles of Mr. Neville Wadia (but this in his individual capacity) in the 'Manchester Guardian'—and mill associations in our country, not to speak of our Government, on this undoubtedly vital issue. Not only have they not taken the Press into confidence—not that this was called for when the Indian case is an open book and also crystal clear—but they have consistently pleaded for, and have been responsible for, concession after concession to Lancashire interests, perhaps to keep in tune with the spirit of the old and memorable Mody-Less pact. It is because of the extremely reasonable and accommodating attitude of our mill interests and our Government that, first, even the preferential import duty on British textile imports into India was reduced sharply and, secondly, the quota restrictions were abolished, which had particularly beneficial effects on Britain's textile exports to this country. In fairness to the more understanding Britons, it must be mentioned here that Mr. Angus D. Campbell, who led a delegation to India early in 1955 to have a market survey of British textiles and to secure a reduction of Indian import duties thereon, went back fully satisfied and after expressing the hope—which has since nearly materialised—that Lancashire would be able to send between 10 and 15 million yds. of cloth to India. On the basis of figures of imports of cloth from the UK into India for the first ten months of 1956, it would appear that the UK's share in the approximate total imports of cloth into India of some 12½ million yds. will be nearly 10 million yds.

It is no doubt unfortunate for Lancashire that her position as a textile exporter to India has been reversed to that of an importer of Indian textiles. It is also possible that, to some extent at least, the Lancashire interests have suffered. But neither of these two facts can justify Lancashire's repeated agitation against imports of India's textiles, as though this was the only circumstance that has brought Lancashire to its present pass. Nor do the two facts justify Lancashire looking at this single angle, ignoring the Indo-UK overall trade picture and pattern. Also, just as in the case of the UK, any action that India takes is, and has to be, determined in the light of the economic situation as it develops from time to time. Presently, the Indian cotton mill industry has to face the competition of the State-favoured handloom industry at home and the keener competition abroad of not only old and resurrecting giants in the field like Japan and Germany but also new and vigorous entrants to the ranks of textile-manufacturing countries like Pakistan, Brazil, and Egypt. Being a member of the Commonwealth and bound by a mutual arrangement under the GATT of 1947, which we suppose is still operative, it is only natural for India to look to a relatively sheltered Commonwealth market like the UK for a reasonable increase in her textile exports. Notwithstanding all these, we concede that India cannot, and, indeed, must not, "dump" her textiles, as alleged, into the UK market and cutting Lancashire's own home market. But this does not seem to be the case. For Lancashire imports only coarse and medium grey cloth which is reprocessed and re-exported to other countries by the UK. This means that the imports of Indian cloth, far from adversely hitting Britain's economy, are actually assisting it, first by providing employment to Lancashire importers and her finishing trade and secondly by earning valuable foreign exchange for the UK. It is significant that finishing and importing interests have not joined in this agitation of Lancashire, which suggests that, if Lancashire restricts imports of Indian cloth, whether by law or by a voluntary agreement with India, these interests would replace Indian imports with Japanese imports. The anomalous result would be that, while avoidably displeasing a sister country of the Commonwealth, Lancashire would be inviting a definitely more powerful non-Commonwealth competition. These are glaring facts.

Now for a few fictions, which Lancashire interests have sedulously set afloat. We would particularly refer to the most glaring of these, namely that the Indian mill industry enjoys an "unfair advantage" or gets a "concealed subsidy" because of access to cheap home-grown cotton and low wages to its workers. These have been effectively exploded ere now, and that in the British Press itself, by Mr. Neville Wadia and, if only because of this, as also because we have termed these as fictions, we do not feel called upon to dwell upon them at any length here.

Finally, let us conclude and clinch this issue by quoting what a cable from London to our Calcutta contemporary has to say whilst announcing the visit of the Cuthbert Clegg delegation. Here is what that cable says: "Lancashire cotton circles—although relieved of many anxieties by the current boom on the home market and by the fact that Lancashire cotton textiles are now more competitive with Indian textiles—are still pressing for talks with India for the restriction of Indian textile exports to the UK." Perhaps they think it would be improper to call off the arranged for talks, notwithstanding the non-existence of even the alleged factors which prompted Lancashire interests to bring pressure at the highest level thus.

PREMCHAND HOUSE— AN EVENTFUL CENTURY

By

(CROESUS)

THE Private Sector has become the target these days of so much attack from several quarters, more especially official, that the spokesmen of Free Enterprise have almost ceased to speak of their past achievements and seem content to point only to their most recent concrete contribution to the economic prosperity of the country, namely, their role during the first Five-Year Plan. This is presumably done, in the belief, at any rate in so far as this generation is concerned, that seeing is believing. The tendency is greatly to be regretted, for, in the process, one may cease to hear any more about the great exploits of the giants in the business world of India of old, when Indians were still under foreign domination and could not have their own way. Some of these constitute the saga of Free Enterprise, of which, I dare say, even that great land of Free Enterprise, the USA, might feel proud, and which I have heard recalled with a rare gusto, yet devoid of anything bordering on vulgarity. Such has been the dignity and decorum of the private sector, but all this looks like being forgotten and the failings and foibles of only the few newly-turned rich with no antecedents or background are held up to justify making a scapegoat of the private sector as a whole.

These thoughts were prompted when I attended last Monday a reception at the Taj Mahal Hotel to celebrate the centenary of the well known firm of Messrs. Premchand Roychand and Sons. Among others, the story of the Premchand House demonstrates beyond doubt that Free Enterprise does not mean freedom to amass wealth by any and every means conceivable and that, without being content just to feather its own nest, Free Enterprise has always believed in raising the standards of living of everybody around. Otherwise, why should a young man from Surat intent on making a living for himself go all the way to Bombay, perhaps on a bullock cart—and not unlikely on foot for some of the distance at least—and think of reclaiming the sea years before the Government of the day thought of it? Or why should the father of Premchand Roychand, the founder of the House, have been so strict as not to countenance the first deal of his enterprising son until he was satisfied that the profit was "strictly legitimate"? Financial rectitude and business integrity were—and have continued to be—thus considered to be the essential traits of a successful business man. Nor could the business men of India of old be accused of narrow regional or communal considerations. If so, the Bombay University would not have had the city's greatest land mark of all times, the Rajabhai Clock Tower, not to speak of the University Library adjoining it, and the Calcutta University's cherished scholarship, the Premchand Roychand Scholarship. It requires men of vision and broadmindedness to make such munificent gifts as would last for generations. Giving away of money to good causes thus was as much the virtue of a successful business man as it was his vocation to make money.

It is, indeed, a good vocation to make money, but not all can make money, and fewer still can make money after once losing the last pie. It demands rare courage, presence of mind and confidence in oneself and in the futures of one's country to be able to do this. And all these were found in the great founder of the Premchand House in an abundant measure. It may not be known to many—not even to our most rabid left-wingers of today, who merely press for confiscation of all foreign companies—that it was this House that blazed the trail for repatriation of foreign-owned investments in India. The credit for arranging the purchase by Indians of the sterling BEST company of old goes to this House. The Premchands were, in fact, the first to start repatriating foreign-held utilities. Those who can take a dispassionate view would certainly not grudge this Houst tribute for singling out utilities in preference to the undoubtedly more lucrative trading, monofactorying or plantation companies. Since then, the Firm has been responsible for underwriting scores of corporate issues and handling some of the major flotations of recent years. A cursory glance of over a generation's record in this one sphere enables me just to recall such diverse issues as the financing of the Patiala Railway, arranging for improvement trust and municipal issues, of underwriting debentures and preference issues of the Ahmedabad Electricity Company, the Scindia Steam Navigation Co., the Bombay Steam Navigation Co., the Kesar Sugar Works, among others, and the handling of such big issues as the Rallies and the Hindustan Levers (to bring the last uptodate). It is not surprising that several Governments of the erstwhile Indian States vied with one another to enlist the services of this House.

Founder Premchand, I am told, used to be introduced to eminent foreign visitors by their resident countrymen in India as "the giant in the great share marina of the sixties". Few, if any, could have had the courage in those days to launch on what must have then seemed a wild goose chase but what was destined later on to be a great blessing to Bombay and yet create so much public confidence as to take the Rs. 100 shares to the dizzy heights of Rs. 8,000 per share! How many must have blessed Premchand Roychand to see so much of capital appreciation? There must have been as many who would have cursed him when these very shares fell to Rs. 80, although the worst sufferer was Premchand himself as he had a very large holding. But the true gentleman he was, he met his commitments to the last rupee of his life's earnings to that day. He was in his sixties then, when any other person would just have collapsed, but not indomitable Premchand who merely said: "I suppose I shall have to start all over again". And start he did again to recover the same eminence in his field as before and to leave for his successors who have been carrying on splendidly the old traditions of the House. His sons, Sir Kakibhai who did so much to consolidate and expand the business—and who is alas no more—and Mr. Maneklal have distinguished themselves by an unsullied record of work as brokers, financiers and investment experts. Today, the latter who shoulders the responsibility is ably assisted by his highly qualified son, the eighth direct living descendant of the family, Mr. Kishore Premchand. Well may any business house be proud of such long and illustrious record. And the secret of this success lies in the great adaptability to the changing conditions of the times. Mr. Maneklal pithily summed up this last week, when he met at a function, representatives of all those associated with his firm's business for the past so many years, when he said: "what is required today is adaptability to the new conditions. We shall continue to carry on the Firm's activities with the same traditional sincerity and integrity as we have done in the past". May the Firm flourish and live to celebrate many more centenaries.

IMPLICATIONS OF COMPULSORY DEPOSITS

By

(CROESUS)

FROM almost the start of the calendar year, generally, it has become a hoary annual for business men to bother themselves about the Central Budget. This year, however, the new Union Finance Minister has spared them this bother, thanks to the forthcoming General Election. Nevertheless, Mr. T. T. Krishnamachari cannot be said to have allowed business men to have a peaceful time of it. His surprise essay at tax-gathering no sooner than he took over the finance portfolio, as though to make certain that he has, in fact, done so, has left the commercial community in no doubt as to the nature of the budgets they can expect from him in future, assuming that he will be re-elected and re-appointed as the Union Finance Minister (about which, however, there is hardly any room for doubt, at any rate, as things stand today).

Oddly enough, it is not so much his new tax proposals as such as the new sub-section—sub-section 3—which he has added to Section 10 of the Income-tax Act that has given the jitters to the business community. It might seem to a casual observer that these fears are unwarranted, but anyone who takes the trouble to analyse the actual implications of the seemingly innocuous new sub-section will not fail to recognise the potential harm of this move not to the business community alone but to the country at large.

Broadly speaking, this new sub-section threatens to add back development rebate and depreciation allowances that are being allowed in the computation of the income of companies, unless the latter (the companies) deposit with the Government 25 per cent of the accumulated profits and reserves on a given date and 75 per cent of their assessable income as reduced by income and super taxes, dividends declared and one lakh of rupees, in each case, in addition to the sum of the several allowances made under the relevant clauses of section 10 of the Income-tax Act. The ostensible objectives underlying the above compulsory deposit proposal, in so far as such can be judged from the speeches of the Finance Minister, are to prevent the surplus funds of a company, if any, from being frittered away and to the extent that the funds are prevented from being so frittered away, to take them for financing the second Plan. No one can blame the Minister for this intention of his. But the question is whether, in the form in which the proposals stand at present they will achieve this innocuous objective, without, at the same time, adversely affecting the private sector. If companies with accumulated resources which are not represented by fixed assets are called upon to make a deposit as proposed, it is bound to give rise to a situation in which they will have to pay into the public exchequer whatever surplus resources they may have, even when these are required for their working capital from day to day and go to the open market to raise money for working capital. Even normally, such a situation would cause difficulties, but, at a time when money and credit are so stringent as they are now, the incidence of this compulsory deposit may create a crisis in the money market, notwithstanding the assurances of the Finance Minister at Calcutta that the provisions of the new sub-section would be administered very liberally.

It is well known that the scheduled banks are not in a position to cope with the heavy demand for funds today. They cannot simply afford to reduce the ratio of their cash balances to total liabilities further without grave risk to the credit mechanism of the country. They can only turn to the Reserve Bank for accommodation, which means that the companies deposit their money with the government at a given rate of interest, go to the banks to raise money that they require for their working capital by paying a very much higher rate of interest and the banks, in turn, go to the Reserve Bank, in the absence of adequate resources, for accommodation. In other words, the companies would be borrowing their money as it were and yet pay interest thereon! This is, indeed, a curious remedy to ward off the bogey of a supposed evil.

I have tried to assess the effects of the compulsory deposit proposals in respect of some companies, particularly cotton mills in Bombay. On a rough estimate, applying the results of my random sample to the industry as a whole, I find that a very large number of mills not only utilise their resources, wherever they have these, for financing the purchase of raw materials and stores but also borrow to an appreciable extent from outside to finance their purchase of stores and raw material. A reliable private estimate puts the number of cotton mills who have to borrow either partly or wholly to finance their purchases of cotton, dyestuffs, etc, at anywhere above 80 to 85 per cent. It is not difficult then to imagine what effect the concerted demand of all these mill companies on the banks would be, if they had to turn to the banks for financing the purchase of their essential requirements thus. It is common knowledge that mill companies generally hedge their sales of production by purchasing in the forward market their raw materials, in particular cotton. Many of them have to keep stocks enough to last them for at least three months, which would entail locking up of considerable funds. Furthermore, from past experience, it is found that cotton mills tend to concentrate their purchase of cotton, imported and indigenous alike, in the very month in which the deposits have to be made, namely June. The awkward embarrassment of these companies when they are called upon to foot two such heavy items of outlay at about the same time can well be imagined.

There is then the case of companies, in respect of which the proposed compulsory deposits have to be calculated on the position which prevailed anywhere between six months and a year, depending upon the period of their closing of accounts. Now it is quite possible that some of these companies may have already invested money, which is now liable to be deposited compulsorily, on some project or other. Perhaps if these investments are in conformity with the pattern of the second Plan outlay, the Government may be expected to take a liberal view of it and relax the provisions. But, then, what of companies whose investments do not fall in this pattern? To the extent such unfortunate companies have to pay deposits, it would only drive them to sell away whatever investments they may have and thereby further depress the investment market. Is it wise to risk this today, one may ask.

In view of all these difficulties, it is of the utmost importance that the provisions of the new sub-section should be used with the utmost care and sympathy, judging each individual case strictly on merits and not on the thumb rule of whether or no it comes within the purview of the second Plan. Even if it is assumed that this will apply only to manufacturing industries, as would appear to be the impression that official spokesmen seem to give, the first thing that should

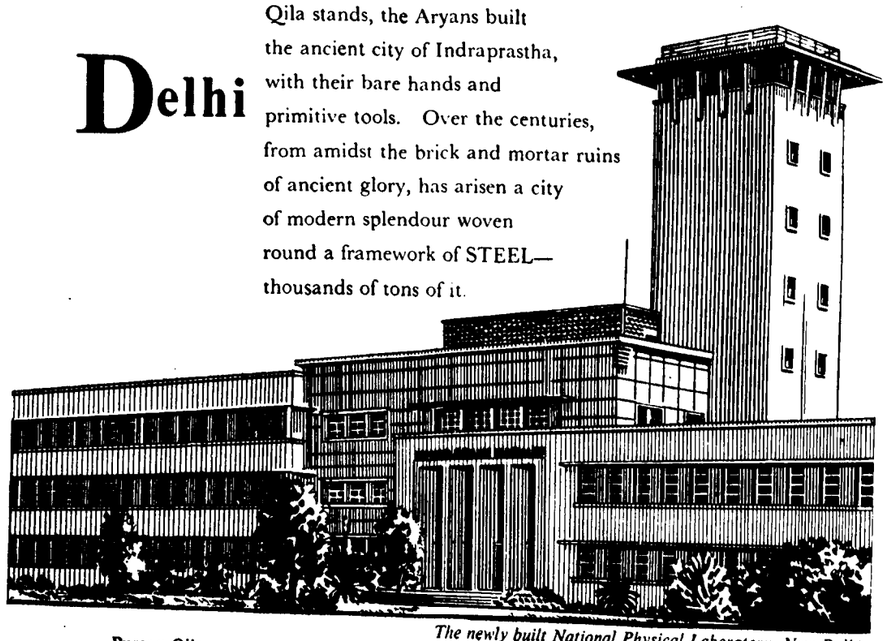
be done is to exempt companies which have already launched on any schemes of plant rehabilitation or modernisation. It should be noted that such rehabilitation would not have been attempted, had the authorities themselves not given their approval. Secondly, in the case of even companies which have embarked upon projects which conform to the pattern of the second Plan, the rules should clearly provide that such companies must be exempted and, what is more, they should be allowed to deduct the provision for depreciation while calculating the surplus for the current year. Business spokesmen who may be expected to have given serious thought to the implications of the new sub-section are convinced that, if at least these concessions are not shown, the private sector would be hard put to it even to maintain production, let alone augment it. When inflation is peeping from the corner, as it were, it would be suicidal to do anything that would adaversely affect production, especially of consumer goods. Even if it is the intention of the Finance Minister to prevent a few people from making a wrong use of the funds of companies under their charge, should the entire private enterprise be subjected to such a severe blow, I wonder.

" Where now the city stands,

there was once naught but the city's site. " OVID

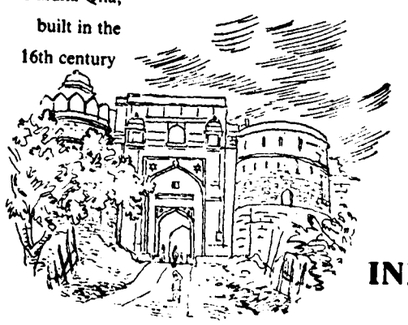
Delhi

It was eight centuries before the birth of Rome. On the banks of the Jamuna, where the Purana Qila stands, the Aryans built the ancient city of Indraprastha, with their bare hands and primitive tools. Over the centuries, from amidst the brick and mortar ruins of ancient glory, has arisen a city of modern splendour woven round a framework of STEEL—thousands of tons of it.



The newly built National Physical Laboratory, New Delhi

Purana Qila, built in the 16th century



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BUSINESS NOTES

PROSPECT FOR COFFEE

THE SPEECH of Mr. R. C. Paterson, Chairman of the Consolidated Coffee Estates (1943) Ltd. at the annual general meeting of the Company (extracts from which appear elsewhere in this issue) highlights the dilemma confronting the coffee industry today. It is a strange irony that even while reviewing with satisfaction the activities of the company during the year under review—the year constituted a record not only for the coffee crop harvested which for the first time since the inception of the company had passed the 2,000 ton mark but was also a record in regard to the gross profits earned—the Chairman should express considerable anxiety about the future and feel apprehensive that their very success may recoil on their heads. For one thing, there is always the possibility of interference in the price structure as well as increase in excise duties or reintroduction of export duty and for another increasing production costs that create a state of uncertainty from day to day. The Tribunal's award in Madras sanctioning an increase in wages to labour by as much as 70 per cent with retrospective effect for four years, though now before the Supreme Court, it is feared, may tilt the balance in costs heavily. But more important still is the report of the Plantation Enquiry Commission on Coffee to an examination of which Mr. Paterson devoted a considerable part in his speech.

The essence of the Commission's recommendations as the Chairman rightly pointed out lies in the fact that it contemplates nothing short of complete collectivisation of the coffee industry on a co-operative basis —co-operatives for the management of the smaller estates, co-operatives for the curing of coffee, co-operatives for the selling of estate supplies, co-operative warehouses, control even over the sale of properties, all managed under the aegis of the Coffee Board. The functions assigned to the Coffee Board are thus truly astonishing and it is anybody's guess how it can succesfuly undertake them. Mr. Paterson also dealt with one or two main accusations against the industry and explained how they were far from true, illustrating from the company's own record.

First of all, there is the question of replanting and the Enquiry Commission has stated that in regard to non-Indian companies 75 per cent of the area under coffee is in urgent need of replanting within the next ten years and 38 per cent in regard to Indian-owned properties and hence has recommended a complete replanting programme to be introduced on an industry-wide basis. In refuting this suggestion, which would mean that much of the area under coffee will be worthless within the next 10 years unless something is done about it, Mr. Paterson has shown from the record of the company that slightly over two-thirds of the mature acreage has in fact been replanted with new bushes in the past 13 years. Far from 38 per cent of their coffee being old and in urgent need of replanting over the next 10 years, most of the coffee seems to be virile and responding to the intensive treatment it has received. The Commission's contention that 40 years old coffee is past its peak and should be uprooted and replanted also seems to go counter to their experience because with proper attention, even 40 years old coffee can produce more than satisfactory crops. In view of this the suggestion for the building up of a general compulsory replanting fund to be lodged with the Coffee Board, which will not be required for many years ahead if at all or if made available could not be used, seems quite unnecessary and it is obvious that the freezing of funds in this manner would virtually amount to expropriation.

With regard to the charge that the coffee companies have been profligate in their financial policy Mr. Paterson has shown from the accounts of the company how it is far from true. The reserves of the company have no doubt been used over buildings and equipment of estates. But on that score it cannot be called a sterile asset because money spent on godowns and manure sheds and housing labour are legitimate expenditure. Also the land, which is the fountain from which all else flows, has not been neglected which alone explains the substantial increase in crops during the past few years.

Mr. Paterson also did well in pleading for an active export policy. The difference, he explained, in foreign exchange between a thousand tons of Plantation A exported and a thousand tons of Robusta is the equivalent of over Rs. 30 lakhs gain or loss. There is no reason why Indian coffee should not be given a chance to provide real financial help in the implementation of the second Five-Year Plan.

BALANCE OF PAYMENTS: APRIL-SEPTEMBER 1956

THE MAJOR conclusion which the Reserve Bank of India's analysis of the balance of payments of this country in the first half of the current financial year underlines is the swing which the deficit on current account took from Rs. 80 lakhs during April-September 1955 to Rs. 125.9 crores during April-September 1956. Taking into consideration the net capital account, the decline in the total foreign exchange reserves came to Rs. 129.5 crores. It is pertinent to recall here that the half yearly post-war peak in the deficit on current account was reached at Rs. 130.8 crores during April-September 1949. The character of the deficit in the first half of 1956-57, however, is radically different from that of the peak deficit. In essence, the current deficit has been incurred to finance imports for the development projects in the Plan.

Imports during April-September 1956 rose steeply to Rs. 476.8 crores which showed an excess of Rs. 122 crores over the corresponding period of the previous year. A quarterly break-up of the value of imports since 1955-56, the final year of the first Plan in which development activity got into maximum tempo, discloses a marked rising trend. Thus imports rose from Rs. 176 crores in the first quarter of 1955-56 to Rs. 246.6 crores in the second quarter of 1956-57. Exports, however, have not been able to register improvement. In the first six months of the current financial year they underwent a small decrease of Rs. 15 crores to Rs. 288 crores. This marginal decline was due primarily to a fall in the volume of exports which is obvious from the fact that while the index of value of exports remained steady at 90 during the first six months of the current and last financial years, the index of volume slided from 108 to 102. Imports of the value of Rs. 476.8 crores during April-September 1956 show an annual rate of Rs. 953 crores as against the assumption of Rs. 783 crores for the whole of 1956-57 made in the Plan. The austerity imposed on import licensing for the current licensing period of January-June 1957 is explained by these trends. Nevertheless, the improvement expected from import economies and export promotion will make but a modest impression on the payments position. This is not inconsistent with the estimate of foreign exchange for the second Plan. The gap must necessarily be filled by external assistance.

The region-wise position of the balance of payments on current account is set out in the table on the next page.

(Rs. crores)

	April-September 1956	April-September 1955
Sterling Area	— 21.5	+ 6.0
Dollar Area	— 0.7	+17.3
OEEC countries	— 94.6	—36.7
Rest of non-sterling area ..	— 9.1	+12.6
TOTAL	—125.9	— 0.8

OUTLOOK FOR BURLAP IN THE US

THE YEAR-END survey for 1956 in respect of the market for burlap in the United States reveals expansion of exports from India and reassuring prospect for the current year. Since 1948 which was the last post-war year of stockpiling activity at a high tempo in that country, the consumption of burlap was at its best in 1956. Demand had kept on increasing progressively during the last two years at a rate of about 7 per cent above the preceding year. Analysing the trends in American imports in 1956, the Vice-President of the Burlap Council of the Indian Jute Mills' Association emphasizes the fact that the higher levels of offtake represent a stable feature of the American market. The actual statistical position available for the period January-November 1956 shows that consumption was 53.4 million yards in excess of the consumption during the identical period in 1955. Aggregate consumption in the whole of 1955 was 825.2 million yards and it may be taken as an assured outcome that the figure for the complete year will show a comfortable margin of excess in 1956 above the previous year. A factor making for stability in American offtake of burlap is the behaviour of prices. At present levels burlap prices are competitive and free from violent swings of fluctuations. Over the year as a whole prices took a better turn from 10.3 cents per yard for spot goods of the standard 10 oz. construction in January to 12 cents per yard in December.

The value of the US market for the Indian jute industry springs not only from the prospect of acquisition of dollar exchange but from the position of this country as a supplier to the extent of 86 per cent of its offtake. Continuous flow of supplies and stability in prices are the determining factors in the expansion of Indian exports. Raw jute supplies for the manufacturing mills in India promise to be adequate, but it is somewhat early to suggest a forecast about raw jute prices. The general trend is to defer it until more accurate information becomes available. Nevertheless, it is a safe projection to advance that the popularity which burlap is recapturing will be maintained and further augmented. In agricultural packaging, there is an increasing demand from the feed industry while the 50 lb. burlap bag for potatoes is registering its appeal. Industrial textile consumers are showing increasing interest in burlap for packaging. Combined with this market is the success which the drive for new uses of burlap is achieving steadily. The overall outlook is one of a rising volume of demand.

A.I.M.O. ON ECONOMIC POLICY

AN EDUCATED electorate is the bedrock of democracy. Illiterate people, who are, for the most part, ignorant about the character of the national economy, are naturally liable to be carried away by ideological slogans which seldom correspond to reality. In India, where a majority of the voters know almost next to nothing about internal or international matters, the need to educate them, especially on vital economic issues, particularly at this "crucial moment" is very important. It is the paramount duty of all organisations to educate or make the masses well informed. This does not mean that it is the prerogative of only political organisations to prepare manifestos and present these to the voters. In a democratic set-up every organisation representing particular sectors of national life should endeavour and put before the people their respective view-points dispassionately and in a realistic way. The responsibility of organisations engaged in economic activities such as production, distribution, transport, etc. is all the greater as it is the economic policy of the country that forms the most vital issue today. It is in the fitness of things, therefore, that the All-India Manufacturers' Organisation which represents the industrial sector of the economy should have prepared and presented its own policy statement if not a manifesto, covering a wide range of economic issues, such as planning in democracy, the problem of foreign exchange, participation of labour in the management of industries, the question of employment, place of foreign capital etc.

More particularly, the A.I.M.O. economic policy statement deals, among other things, with three main issues which in our view, deserves serious consideration at present by the electorate and the would-be policy-makers alike. In the first place, the statement argues that, after the country has accepted mixed economy as "the solvent of the country's economic ills" it behoves both the sectors — private and public — to co-operate actively in the interest of the nation and its future progress and prosperity. Accordingly the A.I.M.O. welcomes the second Five-Year Plan with its new outlay of Rs. 7,700 crores, and what is more, unlike many other organisations, urges that this has to be carried through. This in the opinion of this organisation needs two things namely, incentives and adequate finance. While the latter can be had by adopting appropriate fiscal policy, it feels, the former can be provided by following such economic measures as do not lead to the "concentration of economic power in a steel-framed bureaucracy". Perhaps some more stress on this point would not have been misplaced here.

Secondly, in keeping with the other bodies, the A.I.M.O. also asks for a dispassionate re-appraisal of the role of free enterprise in the light of its performance not in the hoary past but in the most recent years, that is during the first Plan and the immense potentialities it has for the future.

Finally, the A.I.M.O. lays strong emphasis on preservation of democracy and the democratic way of life. "Democracy", says the Organisation, "in the present materialistic age, in which economic development plays a very important role in the life of nation should not only vest the ultimate political sovereignty in the hands of people but also vest **economic power** (emphasis ours) and wealth in the hands of the people at large". Unfortunately, many policies pursued by the Government of India not only lead to the accumulation of immense economic power in few hands but also to regimentation of free enterprise, thereby "crippling the economic growth of the country". Experience elsewhere bears ample testimony to the fact that concentration of economic power in the hands of those who already possess unlimited political power will not only lead to suppression of democracy but also sap individual initiative and enterprise and ultimately the human spirit itself which is held in high esteem in this ancient land of ours. In other words, if any warning were appropriate in the context of the trend one perceives today, it is that well-known saying that "power corrupts and absolute power corrupts absolutely".

A CORRECTION

STRUCTURAL ENGINEERING WORKS LTD.

In the issue of "The Eastern Economist" dated January 4, 1957 on page 29 at the end of the Chairman's speech the following note was not inserted due to oversight. The error is regretted. The speech should be read subject to the insertion of the note as follows:

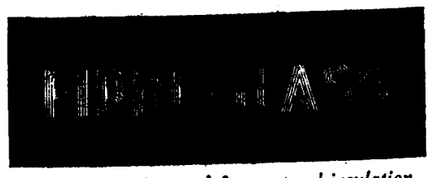
"Note:—This is not a report of the proceedings at the above Annual Meeting."

We can solve your problem...

When at Bridge you've overbid your hand
And the highest in dummy's a "jack",
You can't just sweep away the cards
And start re-shuffling the pack.



if it is INSULATION



For heat, cold, sound & structural insulation

But FIBREGLASS *can* sweep away your insulation problems. Whether the trouble is thermal, acoustic or structural insulation, FIBREGLASS has the answer — in homes, factories, buildings and auditoria.

THE BOMBAY COMPANY (PRIVATE) LTD.

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ASP/FG 1

COMMODITY NEWS AND NOTES

MORE ACREAGE UNDER MAIZE

The All-India First Estimate of Maize for 1956-57, puts the current year's area at 8,223,000 acres as against the Adjusted First Estimate of 8,173,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Union Ministry of Agriculture, Government of India. This shows an increase of 50,000 acres or 0.6 per cent in area over last year. A small increase in the overall acreage during the current year has been shared by Uttar Pradesh, Punjab, Hyderabad, PEPSU, Himachal Pradesh and Vindhya Pradesh and has been attributed to favourable climatic conditions at the time of sowing. The present estimate generally covers the period up to the middle of October, 1956. Till then, the condition of the crop was reported to be generally satisfactory in most of the States.

INCREASED PRODUCTION OF SUGAR

Production and despatches of sugar from indigenous factories amounted to 2.65 and 2.18 lakh tons up to December 15, 1956, in the current season, as against 1.91 and 1.87 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on December 15, 1956, stood at 5.74 lakh tons as compared with 4.15 lakh tons last year.

INDIAN JUTE GOODS FOR EGYPT

India was the sole supplier of jute fabrics to Egypt during the first half of 1956 and also the chief source for the supply of sacks, according to the Indian Central Jute Committee. Of the total Egyptian imports of jute sacks and bags estimated at 10.5 million kgs. of the value of £E. 1.2 million during the first half of 1956, 8 million kgs. were of Indian origin and 1.5 million kgs. were French. During the same period of 1955, total imports were 9.8 million kgs. (£E. 1.1 million) of which 8.3 million kgs. came from India and 600,000 kgs. from France. Jute fabrics imported totalled 2.2 million kgs. (£E. 200,000) during the first six months of 1956. The entire quantity was imported from India, compared with the total of 3.1 million kgs. (£E 300,000) during the comparable 1955 period when 2.9 million kgs. were imported from India.

U.K. STAPLE FIBRE OUTPUT

The British output of synthetic staple fibre reached 23,300 lbs. in November beating the October total by 1,700,000 lbs. and nearly equalling the record of 23,600,000 lbs. reached in March. So heavy is the demand for staple fibre that some manufacturers cannot promise to deliver orders in less than 20 weeks.

EXPORT OF CLOTH TO NEPAL

Export of all varieties of cloth marked for export other than the restricted varieties will be allowed freely to Nepal till June 30, 1957, according to a notification issued by the Joint Chief Controller of Exports, Bombay. The export licences will be valid only for export to Nepal and not to any other permissible destination.

GINGER EXPORTS

There has been a steady increase in the export of ginger from India. According to official figures, the value of ginger exported from India rose from Rs. 69.32 lakhs in 1954-55 to Rs. 90.85 lakhs in 1955-56. In the six months ended April to September 1956, exports amounted to Rs. 54 lakhs against Rs. 20 lakhs in the corresponding period of 1955. The main markets are the countries of West Asia, particularly Aden and Saudi Arabia.

RECORD SALT PRODUCTION

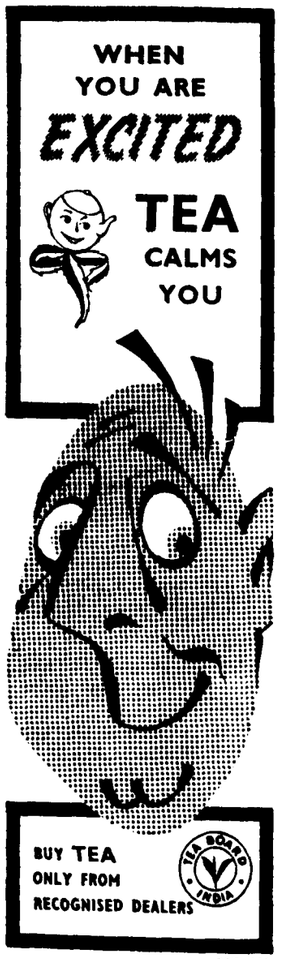
Salt production in India reached 119,00,000 maunds in 1956 the highest ever achieved by the industry, according to official estimates. India attained self-sufficiency in salt for the first time in 100 years in 1951. Since then, production began to increase steadily till 1954 when it declined to 74,000,000 maunds from 86,000,000 maunds in 1953. However, production improved in 1955 to 81,000,000 maunds. The industry now is not only able to meet India's salt requirements, but also is exporting it to foreign countries, Japan being the principal market.

CANADIAN IRON ORE RECORD

Iron ore deliveries from Canadian mines reached a record 19.1 million tons in the first ten months of 1956, a gain of 35 per cent over the previous year's ten-month total of 14.1 million tons. Iron ore deliveries have set consistent records in recent years as the pig Iron Ore Company of Canada's Ungave properties have started full production. Most of the ore was exported with shipments in the period under review up about 35 per cent to 17.4 million tons as against 12.9 million tons a year ago. Domestic deliveries also rose sharply increasing 44 per cent to 1.7 million tons from 1.2 million in the corresponding 1955 period.

AUSTRALIAN OIL SEARCH WIDENS

The search for oil in Australia will be extended to central Australia this year. Three permits have been issued by the Department of Territories for petroleum prospecting in the Alice Springs district. Prospecting activity generally will probably reach a new high in 1957.



COMPANY AFFAIRS

THE INDIAN IRON & STEEL CO., LTD.

The accounts of the Company have been prepared in accordance with the provisions of the new Companies Act, though they cover the year ending March, 1956, which was prior to the commencement of the new Act.

Two new items of Reserve—(1) Extensions Special Reserve and (2) General Development Reserve—appear in the accounts. The first amounting to Rs. 29,47,338, is in accordance with the requirements of the Government that the amount arising from the effective increase over the 1954-55 retention prices shall, after allowance for taxation, be transferred to a special fund to be utilised solely for the purpose of financing expansion programmes. The second is a transfer of Rs. 7 lakhs, representing the approximate tax saving by reason of the Development Rebate applicable in respect of plant and machinery installed during the year. Relative to the profits earned, the amount is small, but the Directors have thought desirable to institute the reserve in view of the large Development Reserve likely to accrue in future as the various stages of the expansion programme are completed. As in the previous year, a sum of Rs. 59.50 lakhs has been transferred to Plant Rehabilitation Reserve comprising the amounts of Rs. 52 lakhs for the Steel Plant Rehabilitation and Rs. 7.50 lakhs for the Kulti Blast Furnaces Rehabilitation to be set aside in accordance with the recommendation of the Tariff Commission.

After providing for depreciation (Rs. 1.20 crores), taxation (Rs. 2.88 crores), debenture interest and sinking fund, labour and staff benefit schemes, and all other charges as well as the reserve allocations mentioned above, there is left a balance of profit, for the year under review, of Rs. 2,50,18,391, and allowing for the usual dividend of Rs. 13,49,770 on preference shares, there remains an amount of Rs. 2,36,68,621. Out of this, Rs. 1 crore has been set aside for Works and Ores Mines New Extensions Reserve, and Rs. 85 lakhs transferred to General Reserve. Adding to the balance Rs. 4,64,401, being the amount brought forward, it totals Rs. 56,33,022. Having failed to obtain Government's approval to the proposal of raising the dividend on ordinary shares, the Directors have been obliged to recommend the previous years' rate of Re. 1 per share or 10 per cent. The ordinary dividend will absorb a sum of Rs. 51,83,708 and the balance of Rs. 4,49,314 is to carried forward.

The production figures of the Company's Burnpur Works Iron Section and Kulti Works for the year under review, show marginal decreases in pig iron, coke, coal raisings, coal tar, sulphuric acid and sulphate of ammonia, as compared to the previous year. In castings, however, there is some increase. Despatches of iron, excluding that used in the Company's own foundries have registered an increase in export and local, while for steel making there is a decrease. In the case of steel ingot production is higher while saleable steel is lower than the previous year. Despatches of steel bars, black sheets and rails are more as compared to 1954-55 figures, but of other items like structurals, galvanised sheets, blooms and slabs and billets, the figures are slightly lower than those of the year before.

Steady progress was maintained on all sections of the 1953 extensions and work is proceeding according to schedule. As a part of the country's programme for the increase of steel output capacity under the second Five-Year Plan, the Company's Directors have approved a further expansion of Burnpur Works to a yearly output of one million tons of ingot steel and financial arrangement to cover the cost were in process. It will be remembered that recently the World Bank sanctioned a very large loan to the Company for its expansion programmes. The commencement of production of large diameter spun cast iron pipes up to 27 inches diameter, at Kulti, is expected in the second half of this year. The initial expansion is expected to raise the capacity from 4,500 to 12,000 tons of pipes per month and finally to 20,000 tons per month.

THE ASSOCIATED CEMENT COS., LTD.

The Company's working for the year ended July, 1956, after meeting all expenses of operation and management, and after allowing for depreciation (Rs. 1,33,64,493), taxation (Rs. 1,16,99,000) and bonus to employees, shows a profit of Rs. 2,53,38,245. This shows a marginal increase of Rs. 2.68 lakhs over the previous year's figure, even though the salaries and wages bill as well as the cost of raw materials, etc., have also gone up slightly as compared to the previous year. The sales of cement for the year have also registered a rise from Rs. 21.23 crores in 1954-55 to Rs. 22.13 crores in the year under review.

Together with the previous balance of Rs. 5,62,770 brought forward, the profit amounts to Rs. 2,59,01,015. Out of this, the appropriations made are: (i) general reserve Rs. 7,37,500; (ii) reserve for plant reinstatement Rs. 55 lakhs; (iii) development reserve Rs. 32 lakhs; (iv) reserve for deferred taxation Rs. 19.15 lakhs and (v) reserve for gratuities Rs. 15 lakhs. That leaves a balance of Rs. 1,30,12,515, from which the Directors have recommended payment of a dividend, free of income-tax, for the year under report, at the rate of Rs. 10 per share absorbing Rs. 1,27,18,547. The balance of Rs. 2,93,968 is to be carried forward.

From July, 1956, the Government of India introduced State trading in cement, and from then on, the entire production of the cement industry is being acquired by the State Trading Corporation, with each producer allowed a fixed price per ton, ex-works. In the case of this Company, the price is Rs. 54-8 per ton exclusive of packing charges and excise duty. The production of the Company is being marketed by the Corporation through the selling agents of the Company, M/s. Cement Marketing Co. of India, who have been appointed selling agents for cement at a remuneration of Rs. 1/8 per ton. Despatches of cement last year were 28.22 lakh tons (including 16 months' despatches of the Bhupendra Works) as against 29.62 lakh tons this year. Production costs increased appreciably during the year as a result of increase in labour charges, coal, royalty, etc. The Company's efforts in improving efficiency are thus being largely offset by increases in costs over which it has no control.

The construction of the new Cement Works at Sindri was completed during the year, and the first unit with an annual capacity of one lakh tons per year was commissioned in September, 1955, and a second similar unit in December the same year raising the capacity of the works to two lakh tons. Expansion and development work at other factories progressed satisfactorily throughout the year which is expected to deliver in due course. Also, the Company has made a beginning with its plans for supply of bulk cement at construction sites in Delhi by the installation of a bulk cement depot.

Company Meeting

THE CONSOLIDATED COFFEE ESTATES (1943) LTD.

Extracts from the Chairman's Speech delivered at the Thirteenth Annual General Meeting of the Company held on 29th December, 1956.

Gentlemen,

On behalf of the Board of Directors I welcome you here today on the occasion of the Thirteenth Annual General Meeting of the Company. The year has been a most successful one and it constitutes a record not only for the coffee crop harvested, which for the first time since the inception of the Company has passed the 2,000 ton mark, but it is also a record in regard to gross profits earned. Cardamoms have proved a satisfactory source of revenue. Pepper produced an average crop and we have now sold most of the balance stock in hand at prices slightly above valuation. Revenue from Oranges has more than doubled. Our paddy crop harvested was a good one. Our entire production as in the previous year was retained as a strategic reserve for issue to our labour in case of need.

Our accounts this year are presented to you in a different form so as to comply with the regulations of the new Companies Act. You will notice that a very considerable increase in Provision for Taxation has been necessary. Now that Coorg is part of Mysore State reservation has been made for Agricultural Income-tax at Mysore rates. Not only is the standard rate for companies As. 5 in the rupee as against As. 4 in Coorg but total Depreciation Allowances are also less. No special depreciation allowance is now granted as was the case under the Coorg rules. Provision for Indian Income-tax is also much higher due to the incidence of the Bonus Issue Tax and Dividend Tax in regard to the business portion of the Company's profits.

No settlement has yet been reached regarding the structure of the basic price. The present system of marketing if anything exaggerates fluctuations in coffee prices. We are always faced with the possibility of interference in the price structure as well as increase in Excise Duties or reintroduction of Export Tax on the one hand and increasing production costs on the other. We do not therefore known how we will stand from one day to the next.

Two items of vital importance to the future of the Coffee Industry have recently been brought pertinently to our notice. You will no doubt have heard of the recent Madras Tribunal Award, which not only granted an astronomical increase in rates of pay to subordinate staff but awarded an increase in wages to labour as much as 70 per cent with retrospective effect for 4 years. Although Coffee Estates in Coorg are not directly affected by this award its indirect impact is immense.

In November the Report of the Enquiry Commission on Coffee was placed on the table of the Lok Sabha in Delhi. Its final recommendations however are obvious and are nothing more than the complete collectivisation of the coffee industry on a co-operative basis....under the aegis of the Coffee Board. Little thought would appear to have been given as to how the Coffee Board can undertake such a colossal programme. The report has castigated all the larger interests—the planters; the curers—in special measure; the merchants; the traders in fertilisers and even the Coffee Board itself. Some of the suggested opportunities for malpractice are so far-fetched as to be absurd.

This is not the place for me to defend general accusations against the industry as a whole, but in the light of the aspersions made it would be my duty to give you a picture of how our Company stands in relation to the claims made in the Enquiry Commission's report. It has been stated that Coffee Companies have been profligate in their financial policy and have frittered away their resources in large dividends which have been concealed from their real worth by Bonus Issues.

Our position as at the closing of the books is that 96.3 per cent of the Ordinary Capital is owned by Indians. There are today 1952 shareholders on our Ordinary Share Register, the largest individual interest being 22,500 shares. The average is 366 per shareholder. In acreage for coffee this works out to about 3½ acres per head. If ever there was a co-operative undertaking in the real sense of the word it is your Company. The Directors are two-thirds Indian and one-third European. The covenanted staff comprise 8 Europeans, of which 3 only are Senior Managers, and 13 Indians, of which 4 are Senior Managers. Since the Company was formed in 1943 the division of our profits has been as under:

Total Gross Profits	.. Rs.	2,08,56,995
Allocation to Reserves	.. „	84,73,821
Ordinary Dividend	.. „	74,19,952

Preference Dividend, Taxation and Carry Forward account for the balance. I do not think that by any standard it can be claimed that our dividend policy has been other than most conservative.

The Enquiry Commission have stated that in regard to Non-Indian companies 75 per cent of the tea area under coffee is in urgent need of replanting within the next 10 years and 38 per cent in regard to Indian owned properties. The Commission has further recommended that a complete replanting programme be introduced on an industry-wide basis and to finance this a special fund be created with a compulsory contribution of Rs. 37-8 per acre per annum to be surrendered to the Board which will be refunded as and when replanting takes place.

If we take into account what the previous owners did in the way of pest control and also the 246 acres of immature coffee that was handed over by them in 1943, I would venture to suggest that far from 38 per cent of our coffee being old and in urgent need of replanting over the next 10 years, most of our coffee is virile and responding well to the more intensive treatment it has received. I would also question the Commission's sweeping conclusion that 40 years old coffee is past its peak and should be uprooted and replanted. Certainly that is not our general experience. With proper attention even 40 years old coffee can produce more than satisfactory crops.

It may be agreed that the ideal is to own young coffee but that is a very different question to the destruction of profitable old coffee. Many think that we are in our infancy in regard to knowledge of coffee plant and I am firmly convinced that the problem is not one that can at all be dealt with on mass production lines. The building up of a general compulsory replanting fund to be lodged with the Board, which will not be required for many years ahead if at all or if made available could not be used seems to me to be quite unrealistic. According to the Enquiry Commission's recommendation it would appear that your company would have to contribute to this Fund some Rs. 2½ lakhs a year. The build up of this over a few years would be quite fantastic. It represents further an initial expenditure on something like 250-300 acres per year if not more, an acreage which under no stretch of ordinary circumstances would be possible for the Company to undertake even if a replanting programme on such a scale was necessary. Such freezing of funds would almost have the equivalent effect of expropriation.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952 53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
April 1956 ..	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
7une „ 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	85.3	125.2
August „ c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September „ c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October „ c ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November „ c ..	411.2	513.9	416.2	389.9	588.8	427.5	90.1	100.2	82 0	122.9
Week Ending										
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
1-12-1956 ..	422·6	514·2	420.4	386.4	590.5	431.5	89.9	100.1	81.0	121.4
8-12-1956 ..	419.1	510.8	418.6	386.1	591.7	429.4	89.8	100.1	80.9	118.7
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	86.9	117 0

Revised*

*Average of weeks.

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	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	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
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	148
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											
	28-12-1956			21-12-1956			14-12-1956			7-12-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	105- 5	103- 3	104-11	105- 8	104- 3	104-14	105- 8	104-12	105-13	105-11	104-14	105- 4
Silver (per 100 fine tolas)	174-12	172-14	174- 0	174-13	173- 0	173-10	173-15	173- 1	173- 9	174- 7	173- 5	173-12

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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
March 1956 ..	621,65	415,50	1,037,15	34,83	48,94	8.08	589,81	146,22†	70.97	364,77
April ,, ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150,94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June ,, ..	637.36	446,52	1,083,88	38,20	49,95	8.13	611 97	151,41†	70.43	348,81
July ,, ..	638 93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
23-11-1956 ..	647,03	458,52	1,090,70	35,89	50,80	7.95	593,84	168,46†	69.89	365,50
30-11-1956 ..	650,91	458,91	1,095,42	35,89	50,84	7.92	597,06	169,27†	69.96	365,46
7-12-1956 ..	646,80	461,69	1,095,07	36,65	49,92	7.91	599,81	172,18†	70.50	365,55
4-12-1956 ..	655,67	459,71	1,101,26	36,18	50,88	7.91	605,50	171,70†	70.57	365,33

* 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 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	+263,69
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651.21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,108.13*	1,435,69*	672,44*	661,90*	10,54	—26,79*
October ,, ..	2.121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

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

Source: Monthly Bulletin of Reserve Bank.

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	85
1951	89	89	97	97	104	100
1952	94	97	99	100	101	102
1953	100	100	100	100	100	100
1954	106	102	100	99	100	100
1955	105	106	100	98	100	104
1955 May ..	106	105	100	97	100	103
June	105	107	100	96	100	103
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	105
December	103	110	100	98	101	106
1956 January	104	109	100	98	102	106
February	105	109	100	99	102	107
March	106	111	100	99	102	108
April	106	112	100	100	103	108
May	106	112	101	101	104	108
June	106	112	102	101	104	108
July	105	112	102	101	104	108
August	106	112	102	102	104	108
September	—	—	102	104	105	109

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	+3.8
Wheat	Final	1955-56	29,225	+6.2	8,348	—4.9
Jowar	Final	1955-56	42,721	—1.7	6,940	—23.7
Bajra	Final	1955-56	27,025	—3.4	3,400	—0.6
Maize	Final	1955-56	8,909	—4.3	2,519	—14.3
Ragi	Final	1955-56	5,607	—1.5	1,844	+12.0
Barley	Final	1955-56	8,145	—2.0	2,721	—5.2
Gram	Final	1955-56	22,902	+3.9	4,865	—9.8
Sugar cane	First	1956-57	4,717	+16.0	..	
Oilseeds						
i. Edible—						
Sesamum	First	1956-57	3,511	—2.9	..	..
Groundnut	First	1956-57	8,955	+16.0	..	..
Rape & Mustard ..	Final	1955-56	6,262	+3.9	832	—18.3
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	1956-57	14,602	+10.8	..	..
Jute	Final	1956-57	1,634	+14.7	..	..
Other Crops:						
Tobacco	Final	1955-56	921	+8.9	259	+6.1
Potato	Second	1955-56	658	+3.9	1,643	+6.5

Source: Ministry of Food and Agriculture.

INDIA'S OVERALL BALANCE OF PAYMENTS

(Crores of Rupees)

	April June 1956	July September 1956	April September 1956	October March 1955-56	April September 1955
Imports c.i.f.					
(a) Private	196.1	195.5	391.6	319.1	292.6
(b) Government	34.1	51.1	85.2	76.2	62.7
Total Imports (a+b)	230.2	246.6	476.8	395.3	355.3
Exports f.o.b.	153.5	134.8	288.3	338.1	303.0
Trade Balance	—76.7	—111.8	—188.5	— 57.2	— 52.3
Official Donations	+ 9.6	+ 8.3	+ 17.9	+ 24.5	+ 20.5
Other Invisibles (Net)	+20.6	+ 22.1	+ 44.7	+ 53.4	+ 31.0
Current Account (Net)	—44.5	— 81.4	—125.9	+ 20.7	— 0.8
Errors and Omissions	— 7.1	+ 17.7	+ 10.6	— 24.2	+ 18.9
Official Loans (Net)	+ 4.6	+ 0.1	+ 4.7	+ 1.6	+ 1.9
Other Capital Transactions (Net)	—13.2	— 5.7	— 18.9	+ 25.5	— 28.6
Movement in Reserve (Increase+, Decrease—)	—60.2	— 69.3	—129.5	+ 23.6	— 8.6

PAYMENTS FOR SELECTED ITEMS OF IMPORTS ON PRIVATE ACCOUNT (C.I.F.) (E.C.D. DATA)

(Crores of Rupees)

	1954-55		1955-56		1956-57
	April September	October March	April September	October March	April September
I. RAW MATERIALS					
1. Oils	41.4	28.6	33.7	33.7	41.3
2. Cotton—Raw & Waste	30.3	24.9	30.8	26.8	24.7
3. Jute—Raw & Waste	4.8	7.1	8.4	10.0	3.8
4. Dyes & Colours	6.9	6.6	8.7	7.0	7.7
5. Chemicals	11.0	9.8	10.4	11.4	14.4
II. CONSUMER GOODS					
1. Cutlery, Hardware, etc.	7.3	8.0	11.4	11.1	14.9
2. Electrical goods	9.8	8.4	9.3	9.3	11.5
3. Paper, Pasteboard & Stationery	6.3	6.7	6.8	11.3	7.5
4. Woollen Yarns & Mfrs.	3.9	3.2	3.9	3.7	6.4
5. Rayon Textiles	5.6	6.3	7.7	6.8	9.2
III. CAPITAL GOODS					
1. Machinery	41.2	43.2	54.9	52.7	71.2
2. Metals—Iron & Steel	10.7	15.6	20.5	37.9	59.7
3. Metals—other than Iron & Steel	10.7	11.9	10.9	12.8	17.3
4. Vehicles (excluding Railway Locomotives)	10.8	13.5	14.9	19.2	21.8

PRIVATE IMPORTS AND THE SHARE OF CAPITAL GOODS (E.C.D. DATA)

(Crores of Rupees)

	Total Private Imports	Increase in Total Private imports	Imports of metal machinery and vehicles	Increase in the imports of metals machinery and vehicles
1953-54	458.1	..	188.8	..
1954-55	523.9	+ 65.8	173.6	— 15.2
1955-56	611.7	+ 87.8	235.5	+ 61.9
1956-57*	783.2	+171.5	365.4	+129.9

* Annual rate.

Source: Reserve Bank Bulletin.

TRENDS IN RAIL-WAY FREIGHT

	1950-51	1955-56	1960-61	1965-66	1970-71	1975-76
Oil Fuel (2)	100.0	108.0	120.0	134.0	150.0	170.0
Kerosene (2)	100.0	105.0	115.0	125.0	137.0	150.0
Petrol (3)	100.0	120.0	145.0	170.0	200.0	250.0
Wood unwrought (2)	100.0	105.0	115.0	125.0	135.0	150.0
Sugar (3)	100.0	132.0	175.0	215.0	240.0	270.0
Cotton manufactures (2)	100.0	108.0	120.0	150.0	190.0	220.0
Vegetable and other edible oils (1)	100.0	105.0	115.0	140.0	175.0	220.0
Cement (3)	100.0	152.0	220.0	290.0	390.0	528.0
Iron and Steel (6)	100.0	276.0	500.0	1,100.0	1,800.0	2,760.0
Provisions (2)	100.0	104.0	110.0	150.0	190.0	250.0
Tea (2)	100.0	108.0	120.0	135.0	147.0	162.0
Jute Raw (1)	100.0	102.0	105.0	115.0	122.0	130.0
Rice and Paddy (3)	100.0	125.0	160.0	190.0	220.0	250.0
Gram and Pulses (3)	100.0	110.0	125.0	155.0	200.0	250.0
Wheat and Wheat Flour (2)	100.0	110.0	120.0	132.0	145.0	160.0
Oil Seeds (2)	100.0	108.0	120.0	130.0	145.0	160.0
Cotton Raw (2)	100.0	110.0	125.0	155.0	190.0	240.0
Fruits and Vegetables (2)	100.0	104.0	110.0	125.0	145.0	180.0
Coal, Coke and Fuel (14)	100.0	125.0	200.0	270.0	360.0	470.0
Marble and Stone (3)	100.0	144.0	200.0	260.0	330.0	400.0
Other Ores (3)	100.0	144.0	200.0	300.0	500.0	700.0
Jute manufactures (1)	100.0	102.0	105.0	115.0	130.0	150.0
Others (36)	100.0	108.0	120.0	150.0	190.0	240.0
TOTAL	100.0	125.1	164.7	236.1	325.0	439.1

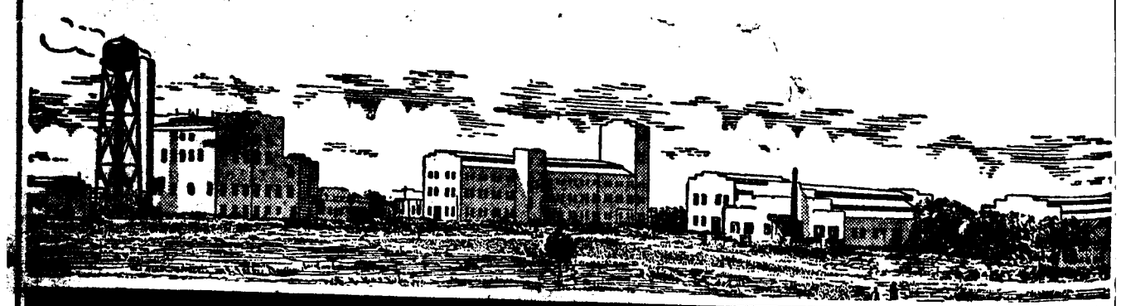
Note: This table to which a reference has been made at page 1057 of our last Annual Number is being published now as it was not incorporated in the the Number due to oversight.

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The Battle for Energy

THE New Year has begun well, at least on one war front—the Battle for Energy. Trombay, rightly hailed as a victory for Free Enterprise, has brought into play, ahead of schedule, 100,000 k.w. with another 100,000 to follow in the year. Since action and reaction must be deemed to be equal and opposite, the public sector has responded with the promise of 123,000 k.w. from Hirakud before April 1 and a doubling before 1958. Progress on power projects has thus been well sustained in both the private and the public sectors, at least so far as electricity is concerned. It is important to remember, however, that electricity still provides, so far as primary energy is concerned, less than a tenth of the coal equivalent of our total energy demand. Electricity contributes even less at the present time than petroleum products and, as far as one can see, electrical energy will always take third place in the energy race. It is important, therefore, that we should not look upon our new electrical power stations as major solvents of the steeply rising demand for

primary energy. Nor does atomic energy, a unit of which is being formally inaugurated on January 20 by the Prime Minister at Trombay, alter the character of the energy problem of our generation. The mighty atom has not yet acquired a footing in the Indian commercial field.

Partly because coal is the most important element in "commercial" energy, one can hail with satisfaction the news published this week that a recent Geological Survey of India disproves the pessimistic estimates of reserves in the Raniganj coalfields made in 1928. The latest survey in regard to this coalfield shows that there is no danger at all of a quick depletion of our coking coal; current proved reserves are over 13,000 million tons, twice the 1928 figure. And as proving goes on, the reserves will certainly rise. This is so significant a conclusion that it might lead to further complacency and criminal waste by utilisation of coking coal for railway engine boilers. Provided this major error is avoided, one can look on the present information with nothing but gratification. It is clear now that India has all the materials for an almost unending steel industry at some of the world's lowest prices on all basic raw materials.

Unhappily the discovery of new coal reserves does not solve the immediate energy problem. The utilisation of the new coal requires new investment on a scale which does not look as if it can take place in the second or even the third Five-Year Plan. It is this consideration which makes oil—the residuary and most mobile fuel—the most substantial basic element in filling the gaps in energy demand which are likely to appear in the next fifteen years. This point comes opportunely. Since the elements of oil demand and supply are so little understood in the country, Burmah-Shell has done well to issue this week for public study some substantial information on the character of recent demand and supply, particularly as it affects this company's operations. So far as the Indian Union is concerned, the demand for oil products would appear to be rising now at the rate of about five to seven per cent on petrol, about 13 to 15 per cent on kerosene, 12 per cent on high speed diesel oils, and 42 per cent on bitumen. This complicated diversified picture might, perhaps, be simplified by saying that one might expect oil consumption in India to double over the next seven years, as, indeed, it doubled between 1948 and 1955.

The fact that the oil demand picture has become so clear now places a firm responsibility on the Planning Commission and the Government of India to arrange supply in a manner that these demand figures, which if anything represent a floor, are matched suitably on the supply side. Therein lies the rub. Unhappily, oil finance, as well as oil pricing policy, has been the subject of so much controversy that it is becoming impossible to avoid a political or, at least an ideological slant in approaching the supply problem. The Ministry of Natural Resources is not the only victim of political myopia generated by an overdose of oil economics. There is widespread misunderstanding in both official and non-official circles of the character of oil investment and of oil profits. Conditions naturally differ from company to company; some companies are more affected than others by the risks of exploration. It is significant, however, that even when "risk" provision is not being made for exploration, as in the case of the Burmah-Shell Oil Storage and Distributing Company of India Ltd., the net profits, whether on capital employed or on total trading receipts, are not higher than in any normal business in the Indian Union.

For example, in the case of the Burmah-Shell Oil Storage and Distributing Company of India, the total trading receipts in 1955 were Rs. 106.53 crores. Earnings in India on this figure were Rs. 3.52 crores after payment of taxes, or only 3.3 per cent of the total trading receipts. Incidentally, of these receipts, 29 per cent were paid into Government accounts, and only 35.8 per cent represented the f.o.b. value of oil. Put otherwise, the earnings of the company for the period 1949 to 1955 were 57.95 crores; the net earnings after taxes were Rs. 23.03 crores, significantly less than the figure of Rs. 28.84 crores for Indian taxes. Not only has the whole of the figure of net earnings after taxes been re-employed in the business, but this particular company has had in these five years to obtain from external sources additional capital of Rs. 8.93 crores. Thus, nothing has been taken out of the country by this foreign company since Independence and, indeed, this oil company has, in the last eight years, more than doubled the value of its Indian assets which stood at 1949 at only 21.56 crores by "total" reinvestment of its earnings plus new capital from abroad.

Whether or not the price of petrol is appropriate must be judged in terms of circumstances such as these. Surely, however, the most significant element in the price of oil today within the control of the Government of India is the figure for taxes which, as has been said before, are 29 per cent of receipts. It might be added that internal freight represents another substantial element of Government earning in the distribution picture. Whichever way the figures contained in this study are read, it is the Indian public sector which is the main beneficiary of the operations of the oil companies; to what extent will be a matter of surprise to most persons, even those reasonably conversant with oil problems. There should be no dispute on the place of the private sector here. Its net profits are only one-eighth of the public sector's haul.

In view of these facts it should be obvious the question of oil supply is not an ideological one. On the face of it, the foreign private sector's operations in oil have been strongly in the national interest, bringing in foreign money into the country and revenue on a phenomenal scale to the Government. The rates of profit, whether on capital employed or on turnover, are also shown to be so reasonable that a great deal of the "oil debate" must now be deemed redundant. It is sincerely to be hoped that, now the facts have been presented in the clearest possible manner, the true challenge in the battle for energy, which is the matching of steeply rising demand with equally rising supply will be undertaken in a spirit of earnest attack on the bulging energy gap. The Battle of the Energy Bulge will last for many years. Is it not time we had a strategy for its containment?

Indo-Pakistan Trade

THE negotiations for a fresh trade agreement between India and Pakistan which started here on Tuesday this week have evoked considerable interest not least because of alarums elsewhere. There is a strong current of feeling, quite noticeable in official and business circles in both the countries, that a determined effort must be made to put trade on a stable and expanding base. The conviction is even gaining ground on both sides that trade must steer clear of political whirlpools and in course of time assist relations between the two countries in other spheres. The significance which the two governments attach to the current negotiations is apparent from the strength of their delegations.

The frontiers of the two countries do not follow any natural demarcation. In this respect their division closely resembles the division between Canada and the United States. This parallel should set the pattern for Indo-Pakistan trade. In spite of their legitimate aspiration to widen the horizon of their commerce, the basic need to develop good neighbourly relations in this vital field cannot be ignored. Evidence of this attitude is to be found in dissatisfaction on either side with short-term agreements of one year which neither ensure continuity nor remove uncertainty. In his inaugural address Mr. Abul Mansur Ahmed, leader of the Pakistan delegation, made a timely plea to aim at a three-year pact. It gives concrete expression to the changing attitude.

The current agreement was concluded against the background of Pakistan's tight foreign exchange position. But the revision of the par value of the Pak rupee which coincided with its formal commencement was expected to remove a real impediment to trade and give a stimulus to it. This expectation was not realised. During 1955-56, the total value of Indo-Pakistan trade rose to a little above Rs. 35 crores in spite of the fact that an omnibus provision in this pact permitted automatic validation in the two countries of all export-import licences for non-dollar area irrespective of the fact whether or not the commodities were specifically included in the agreement. Considering the fact that the value of trade ranged in the neighbourhood of Rs. 28 crores in the two previous financial years during which a stalemate prevailed in the absence of a general trade agreement, the level reached last year hardly marked real progress. In the first half of the current year 1956-57, trade flowed at a still lower annual rate of Rs. 23 crores.

India has a traditional adverse balance of trade with Pakistan which was erased only once in 1952-53. Last year her offtake of raw jute, hides and skins, and fish and eggs was the highest since 1952-53. But except for coal and chemicals, drugs and medicines, Pakistan's imports continued to decline. This decline was conspicuous in the case of cotton textiles. There is a facile tendency in this country to attribute the overall decline to a political twist supposed to have been given by Pakistan to her trade policy vis-a-vis India. Political relations no doubt produced a certain strain on trade. But there is little appreciation here of the strides which Pakistan has made in industrial expansion part of which impinges on India's export industries. It is, however, true that in her attempts to diversify the pattern of her trade, Pakistan placed reliance on the technique of single country import licences in pursuance of her bilateral agreements with certain countries. Its impact on India could not be regarded as abnormal.

Industrialisation and diversification as planks influencing the trade policy of Pakistan follow the universal post-war trend in underdeveloped regions. India herself presents a case in point. While the pattern of trade must inevitably undergo change everywhere, higher volumes which are implicit in developing economies should provide room for adjustments. The current trade negotiations are being held in an atmosphere which is propitious for renewal of expanded trade. Pakistan's general balance of payments position which took a decisive turn for the better in 1955 with a surplus of over Rs. 28 crores has since been improved. A new element has entered into the situation with the Suez crisis. It has exposed the vulnerability of external trade to a potential source of uncertainty and stressed the relative gains in the long run in strengthening trade relations with neighbouring areas where these are immune from abrupt and violent upsets. The import policy of Pakistan for the shipping period of the first half of 1957 has reduced single country licensing to the solitary exception of France. The area of co-operation in trade certainly admits of enlargement. Happily both the delegations have shown a realistic attitude for a better understanding in their enlightened self-interest.

The course of balance of trade between India and Pakistan over the last nine years represents the basic pattern. It is not argued on behalf of this country that a nice equilibrium in the two-way traffic should be the objective of the bilateral pact. India aims at relative sufficiency in her raw jute production and her target of 5.5 million bales at the end of the second Plan frankly concedes the necessity of imports of the order of 1.7 million bales. Hides and skins, fruits, vegetables, fish, eggs and seeds represent a variety of the imports she obtains from Pakistan. India's contention in respect of the selective export duties on raw jute, which in effect throw a real burden on her, needs to be redressed. It should be possible for her to agree to an offtake of rock salt if in return accommodation is made for export of sea salt to East Pakistan or the ban on re-export is removed.

But, by and large, the negotiations now under way will have to arrive at a reasonably exhaustive schedule of imports into Pakistan. Coal is Pakistan's major import for which a competitive alternative source of supply is not available. But its value which does not normally exceed Rs. 3.25 crores underlines the necessity of adding definite items. Fine and superfine varieties of cotton textiles, worsted fabrics in a limited measure, art silk fabrics, sugar, hydrogenated oil, a range of engineering goods particularly for East Pakistan, hardware, soap and toilet requirements should find a place in the new agreement. It would be in the interest of traders if yearly quotas are prescribed to indicate the magnitude of demand. Border trade on the eastern frontier has been freed for holders of A Category visas and it may be presumed that its scope, at present severely restricted, will be liberalised. In fact the two Bengals reiterate the complementary nature of the economies. It is time the principle of mutual benefit was applied to the whole sub-continent.

Amalgamation in Haste

THE principle of amalgamation of small collieries into sizable units is no longer in dispute. The question has been debated in this country for over thirty-five years. The need to take positive action for amalgamation was hardly appreciated before with a sense of urgency that is being displayed now in the context of scientific planning and development for intensive exploitation of resources to satisfy the fast growing demand. The Committee on Amalgamation of Collieries was charged with the task of preparing a scheme of integration, which, while removing the impediments to planned development raised by the continuance of small units, would keep clear of pitfalls of possible upsets in the working of the industry at a time when it is called upon to undertake an ambitious programme of expansion. It will be bold to say that the Committee has acquitted itself well of its charge.

In its enthusiasm for amalgamation on a bold scale at one stroke, it would appear, it has paid less than due consideration to the overriding necessity of ensuring minimum dislocations of transition which coincides with an important phase of the industry's expansion. It has frankly recognized the inevitability of amalgamation by legislative compulsion in a majority of cases. The only instance where this technique was attempted is provided by the United Kingdom. There, however, it was tried over long years with methods far less drastic than those recommended by the Committee. But it failed and nationalisaton came to the rescue. The drawback of the Committee's plan consists, in essence, in the criteria laid down for the minimum size of units and in the failure to tackle realistically the problems of financial resources.

The Committee has fixed the optimum size of collieries on standards which are high in the Indian context. The minimum requirements for a colliery to exist as an independent entity, as recommended, are output of 10,000 tons per month, area of 100 acres and reserves sufficient to last for 50 years. On these tests, 666 collieries out of a total of 734 in Bengal and Bihar, to which the enquiry was restricted by the Committee's terms of reference, will come in for amalgamation. The Committee has attempted a statistical investigation into the problems of small collieries, which, incomplete as it is, is confined to collieries with a monthly output of 2,500 tons or below. There is no indication whatsoever in the report that it was in possession of information relating to collieries producing between 2,500 tons and 10,000 tons per month. The views of experts tendered before it on the area, shape and output for units of proper size are widely divergent. It is difficult to comprehend why it has made a categorical commitment on a minimum output requirement of 10,000 tons.

Two notes of dissent appended to the report cogently argue the arbitary nature of the proposed limit regarding output and highlight the fact that output is conditioned by extraneous factors—demand and availability of transport. The concept of small collieries has not been defined. Nevertheless, under conditions obtaining in this country the limit of output of 2,500 tons per month would appear to be acceptable as the first stage in amalgamation. The trend of the departmental classification for the purpose of administering the Mines Act and the Indian Coal Mines Regulations is to treat units with output in excess of 2,500 tons in one category. Any criticism of woeful lack of technical management has little application to collieries producing more than 2,500 tons inasmuch as they are placed under an obligation to engage persons with first class colliery manager's certificates of competency. The primary tests to be applied in the determination of proper size would really be those relating to reserves and area. A rigid insistence on output is most certain to introduce a large element of complexity in the implementation of a fair and workable programme of amalgamation. Even as it is, with a floor of 2,500 tons of output, 495 collieries accounting for one-sixth of the production in the two major producing States will be covered by integration. It is not as if the larger collieries will be immune from the effects of amalgamation. The Committee has made the candid and most significant observation that amalgamation and adjustment of boundaries will affect almost all collieries and particularly the 664 units in the strategic coalfields at Jharia and Raniganj.

The weakest part of the report is the one which purports to deal with finance for the amalgamated units. The formula approved for compensation to amalgamating units bears technical scrutiny. But even if its propriety or otherwise is left out of consideration, it should be obvious that the Committee is treading on very unsure ground—for lack of adequate data, of course. In case certain collieries to be merged refuse to participate in the amalgamated units, as many would choose to do, the remaining colliery owners are to be called upon to pay compensation to the non-participants, or failing these, third parties are to be invited. As a last resort, the Government is to step in, ignoring the plain fact that the share already assigned to the public sector in this industry is much larger than its allotted resources can absorb. The problem of finance does not end with payment of compensation. Amalgamation will not have justified itself unless the integrated units take to exploitation of deeper virgin seams now left alone by small owners.

The magnitude of finance that will be required whether for fixed investment or working capital, even immediately on amalgamation has not been assessed. The Industrial Finance Corporation, the Industrial Credit and Investment Corporation, and the National Industrial Development Corporation will find claims of other industries for which they have to cater too onerous to strain their resources. It is problematical whether they can accommodate the amalgamated collieries. As a final recourse, the establishment of a special Finance Corporation is urged to assist the collieries. Resources for it are to be raised by a new cess on the industry at the rate of eight annas per ton of coal dispatched—a device which completely ignores the growing burden on the industry.

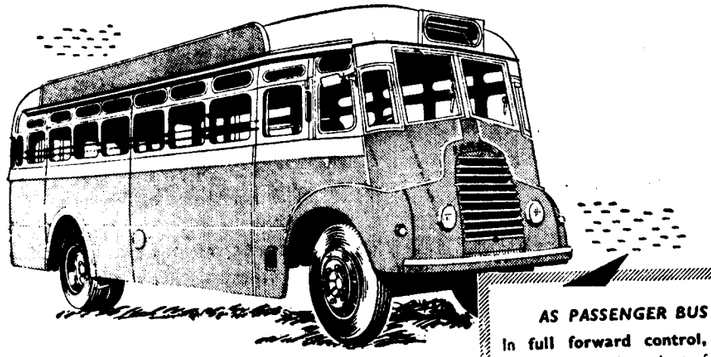
It does not appear to have been realised fully that amalgamation on the scale proposed will add confusion right in the midst of the second Plan in which the private sector has to raise resources for nearly half of the additional coal target of 22 million tons and the public sector has not been provided with one-third of the total outlay of Rs. 60 crores it needs.

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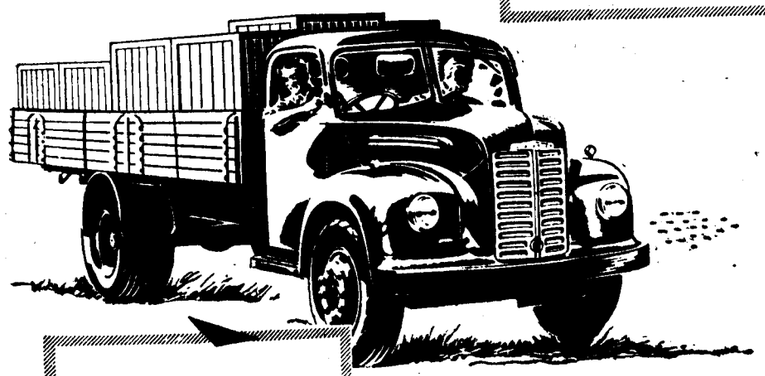
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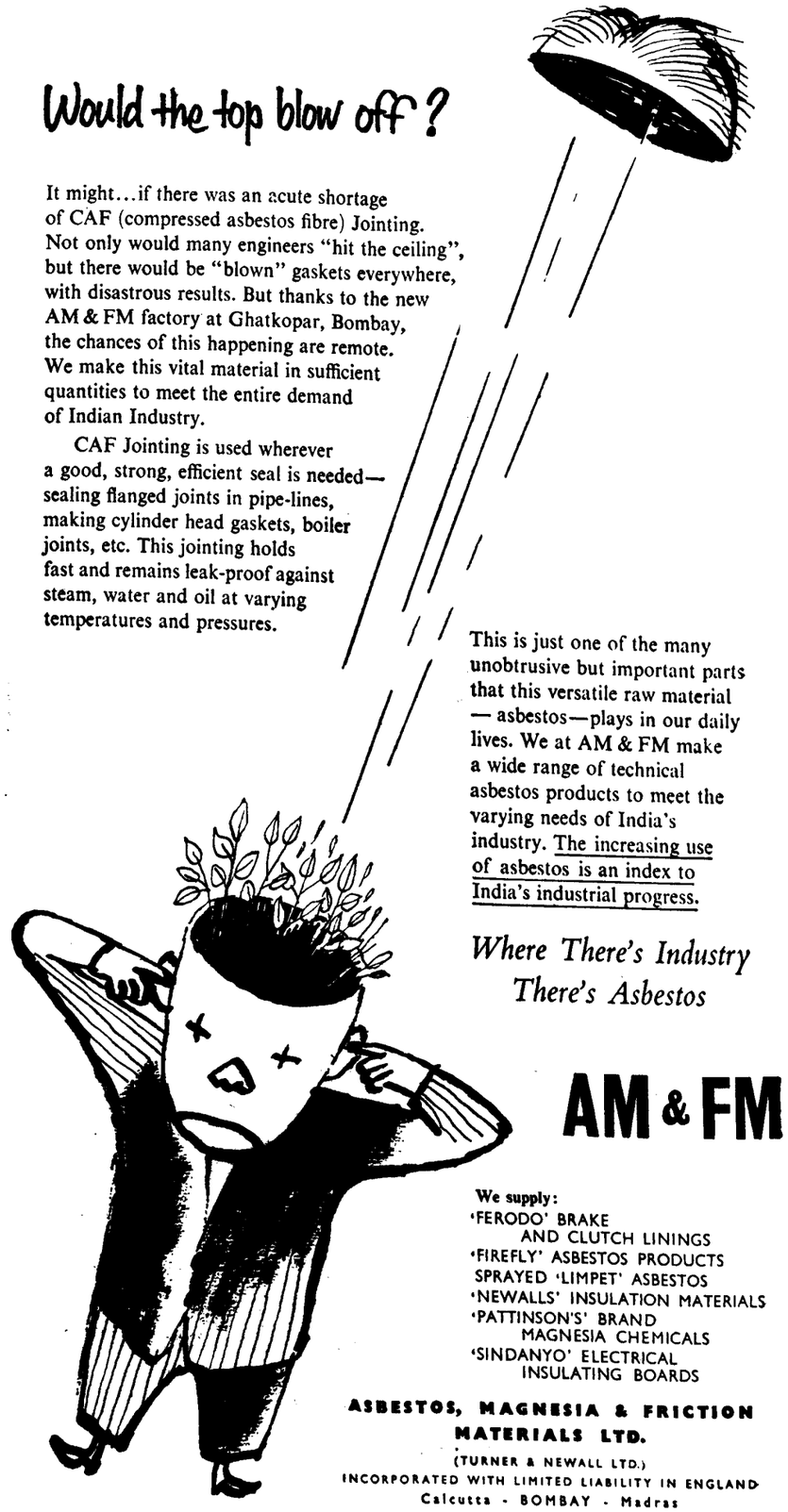
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THE WEEK'S NOTES

US AMBASSADOR TO INDIA

THE APPOINTMENT of Mr. Ellsworth Bunker as USA's Ambassador to India has been viewed in this country with great satisfaction. The first democrat to be appointed by Mr. Eisenhower to a key diplomatic post, Mr. Bunker is a person of sensitivity and experience. Like his predecessor, Mr. Sherman Cooper, Mr. Bunker is an exceptionally able man, who has had experience in the fields of business, economic studies, administration and diplomacy. As president of the American Red Cross since 1954, Mr. Bunker is well versed in vital human problems. Though he had no opportunity to visit India, he has been following with a sympathetic interest India's struggle for independence and her efforts to develop her resources and the living standards of her people. From what he has been saying in public one infers that Mr. Bunker is very much interested in India's second Five-Year Plan and is likely to press for more American economic assistance to India during the next five years.

It goes without saying that India and the United States share common goals and principles even though they may approach them from different directions. According to Ellsworth Bunker, the world's two largest democracies, India and the USA, can jointly strive for a great human objective with the faith "that individual liberty and dignity can flourish, and that improved living standards and social justice can be attained under democratic institutions". It seems quite logical not to agree on every point or method in order to work for the same goal, as an essential in a free society is the freedom to dissent. So long as the principles of conduct and human values are the same, it matters little if the ways are not always identical. In this spirit of democracy, Ellsworth Bunker looks forward to the opportunity to interpret America and its ideals to the Government and people of India, and in turn to interpret India to the American people. This eminently human and democratic approach on the part of the Ambassador-designate to India's problems is a happy augury for stable Indo-American relations.

MANIFESTO OF LOHIA SOCIALISTS

THE 6,000-WORD manifesto of the Socialist Party of India, led by Dr. Ram Manohar Lohia, the stormy petrel of Indian politics, promises to the electorate almost everything under the sun. It promises total prohibition; elimination of English from all Governmental and public use; creation of a four-pillar State (by dividing power at the village, district, State and Central level); abolition of death penalty, and of "indirect, unjust and irksome taxes"; separation of judiciary from executive; discontinuance of privy purses to the princes; cheaper and quicker justice; codification and simplification of laws; removal of disparity between industrial and agricultural prices; promotion of co-operative farming and marketing; liquidation of agricultural indebtedness; suspension of production of luxuries; nationalization of key industries, foreign capital and import and export trade; "adequate and effective representation" of the workers in all nationalised concerns; amalgamation of dearness allowance with the basic pay; opposition to intensification of work-loads or introduction of costly labour-saving devices; payment of "reasonable relief" to the unemployed; and the acceptance of "house for house" principle in the flood-hit areas. It rejects "glamourous modernization of large-scale industry" as well as "wasteful cottage craft". Moreover, in order to "level the deep depressions of poverty", the Socialist Party will "demolish the lofty peaks of accumulating riches and wealth".

Few people will be averse to the Socialist programme in its theoretical form. But theorizing (or promising) is one thing, practice another. The expansion of the public sector and the extension of social services are incompatible with the substantial tax relief, as promised. These tall promises seem to have been made because the Socialist Party is reasonably certain of not capturing power in any State, and therefore not being faced with the awkward problem of implementing its programme. This explains, doubtless, also why the Socialist Party has tagged on a post-election plan to its election manifesto! According to that plan the Socialist legislators will fight against "Governmental and non-Governmental tyranny, colossal waste and corruption" and the consequent "collapse of social conscience" within the legislatures, and, if need be, outside them. The party, therefore, "invites" people to join its "Satyagraha army". But can methods of democracy and the kind of civil disobedience advocated by the Socialist Party at all go together?

However, the Socialist manifesto does also have points which merit consideration, such as the observation that "the way the law and order is implemented does not do credit to the land and principles of Mahatma Gandhi". Its criticism about the manner in which finances are being raised to meet the cost of the various schemes under the second Five-Year Plan is also justified to a large extent.

A SOCIOLOGICAL SURVEY

TO THOSE who are apprehensive of the prospects of democracy in this country, the report of the recent survey in U.P. cities by the J.K. Institute of Sociology should provide some comfort. The survey, which was directed to finding out who are the people who matter, count in society and can in a way be described as the governing class, records the view that judging from the information gathered in Lucknow, the 'elite' of U.P., or its directing or ruling groups come from all levels and strata of society and in fact the composition of the 'elite' discloses a diffusion of power along the most democratic lines. The only hurdle, it feels, to orderly democratic progress lies in caste hegemony as it finds that 75 per cent of the 'elite' are from the ranks of the upper caste Hindus. Otherwise, according to the survey, there is nothing in theory at least in the present social structure to bar progress by reformist means or through evolutionary development. It is no doubt a truism that a caste-ridden community denies the very postulates of democracy, but in the absence of a fuller report it is not known on what basis the 'elite' that seems to form the governing class was selected. Democracy in the ultimate analysis cannot succeed unless there are deep-rooted traditions genuine to the soil backed by proper leadership. More than caste (which may take a long time to disappear) the real bar to orderly democratic progress seems to lie in the vast illiteracy embracing about 80 per cent of the population. It would, therefore, be true to say that the future of democracy seems to lie more in the way illiteracy is conquered and proper men put in the government of the country who can work the democratic institutions with normal efficiency than in any theoretical 'diffusion of power among the different strata of society'.

The survey reveals that 95 per cent of the 'elite' are males and women seldom occupy positions of power and influence. It must come as a shock to our 'feminists' that women even in the uppermost layer of society

should be treated as ignorant beings and at best as "learned ignoramuses", knowing little outside their domestic sphere. Even in some Western countries though legal discriminations have been removed, public opinion seems to be rather unfavourable to political activity by women and after the first exultation of the grant of political and legal rights, women themselves seem to be lukewarm in their exercise. It is not known whether their counterparts in India will fare very differently. Anyhow, it will be interesting to watch whether the Congress Party would be able to get suitable women candidates (to the extent of 15 per cent of all its candidates) to contest the coming elections. The chances do not seem to be particularly bright even here.

Another interesting aspect of the survey relates to the attitude of the 'elite' towards the problems of the country. As many as 40 per cent of them, it states, regards the affairs of the country in general as "less than satisfactory" and only some eight per cent are "very much satisfied" about it. This indeed is a healthy sign and augurs well for the future of democracy in the country when one often sees a sense of smug complacency that pervades generally among the powers-that-be.

EDEN'S EXIT AND AFTER

SIR ANTHONY EDEN, once the "golden boy" of British politics, has generally received nothing but unqualified condemnation even after his resignation. Most newspapers in India at any rate have recalled only his misadventure in Egypt. His distinguished service to his own country and the free world generally, in nearly a lifetime of public career, had practically been lost sight of. Mr. V. K. Krishna Menon, has therefore, rightly recalled Sir Anthony's "great contribution to peace" in the initiative he took to avoid what might have become a world war in Indo-Chnia and the "great part" he played in attaining a settlement there. Sir Anthony, Mr. Menon reminds us, has also been a "true friend of India."

Before the second world war, Sir Anthony made his mark as a champion of peace, internationalism, and the League of Nations. In 1935, at the age of 38, he became Britain's youngest Foreign Secretary since 1851. Convinced that Britain's duty was to stand up to the dictators, he resigned that post three years later as a protest against the "appeasement" policy of Mr. Nevil Chamberlain, the then Prime Minister of England. As Foreign Secretary in the Churchil Cabinet of 1954, he negotiated the agreement with none other than Colonel Nasser for the withdrawal of British troops from the Suez Canal Zone. He succeeded Sir Winston Churchil in April 1955, and in the general election of May 26, 1955, led the Conservative Party back to power with an increased majority. But soon after, it may be recalled, the cry "Eden Must Go" was raised even among the Tories, and he had to deny officially any intention of resigning. Probably, it was to frustrate the intrigue of his opponents and to demonstrate that he was still an ardent opponent of "appeasement" that he took recourse to gunboat diplomacy, which brought to an abrupt end his long and distinguished public career. Now, that his "tough" policy has ended in a disaster, the diehards inside his own party seem to have sacrificed him in the hope of maintaining their party's power, despite the fact that several attempts by the Opposition to shake his majority in Parliament had failed to bring about his downfall. Posterity will probably have a more favourable judgment of Sir Anthony Eden than his contemporaries.

But if Sir Anthony Eden has been made a scapegoat to retrieve Britain's position in the eyes of her friends and allies, this is hardly likely to achieve the desired result. The choice of Mr. Harold Macmillan, as the new Prime Minister, amounts to a refusal on the part of the Conservative Party to abandon the policy which Sir Anthony pursued with such tragic result for himself, for his country, for the Commonwealth, and for the free world. Doubtless, Mr. Macmillan and most of the members of his Cabinet have indelibly been associated with Sir Anthony's ill-fated excursion into the Suez—a fact least likely to inspire confidence either at home or abroad. The contrivance to which the Conservative Party has resorted to does not seem to involve any admission of political error or repentance since logic demanded that the entire Cabinet responsible for the policy attributed to Sir Anthony primarily should have resigned. It may be, therefore, rather difficult for Egypt to let bygones be bygones. Prospects of healing the breach in Britain's alliance with America also seem to be remote. In any case it is doubtful if America will like to associate itself with any direct British moves in the Middle East. A meeting between the American President and the British Prime Minister at this juncture may arouse unnecessary suspicions in the Middle East countries about the Eisenhower Plan.

Moreover, to remove Sir Anthony Eden from the scene and let the machinery that formulated the tragic policies continue, is perhaps not the best way of demonstrating concern for democracy at home. The Egyptian episode has been so serious for Britain, both economically and politically, that it would have been better to afford an opportunity to the British nation to give its verdict on the old policy.

YEMEN CRISIS

IT IS, indeed, disturbing that fighting has flared up again in the Beihan area of the Western Aden Protectorate. Who is to blame for this situation, it is difficult to say? The welter of charges and counter-charges make it all the more difficult to assess the rightness or wrongness of what is happening in Yemen. The complaint of the Yemenites is that Britain is trying to federate by force the British-protected Arab States that make up the Aden protectorate. Britain is also accused of aggression against the Yemen's borders from the Protectorate. Whatever be the charges, the root cause of the trouble goes back to four years when the Yemen laid claim to the so-called protectorate area of Aden. The Yemenites have been asserting that the lands of the protectorate area form part of southern Yemen, which claim has been vehemently resisted by the British authorities. British interest is deep-rooted in the sense that she has set up a five-million-ton oil refinery in Aden. Britain has also entered into treaty agreements with the nearby Sheikhs and Sultans for developing the hinterland. The situation seems to be getting more complicated with the Arab League offer of support to Yemen and the latest move of Yemen to invite Russian volunteers for the defence of its territory. To what extent the USA would act in the event of this threat may be difficult to predict but the trouble in the Red Sea definitely provides the first test of the value of the Eisenhower doctrine. Perhaps, the USA could help in assisting the Yemenite economy which, it is alleged, has been disrupted as a result of the disturbances on the Yemen border. Incidentally the news is reassuring that British and Yemen officers will meet to discuss disturbances which have broken out recently on the frontier between Yemen and Aden. That may help in pacifying matters but is in no way going to solve the basic problem. The best way is to refer the matter to the United Nations.

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A Window on the World

THE U.K., THE COMMONWEALTH AND THE COMMON MARKET

By

ODYSSEUS

MY DISTINGUISHED COLLEAGUE, Our Special West European Correspondent, who is based on Paris, wrote a striking dispatch entitled "Build Europe, Build the Bomb", published on December 7, which aroused attention not only in India but in informed circles in the UK. He reported that in effect the Franco-British set-back over Suez had given impetus to the various plans for promoting European unity now under study and that certain circles (which I presume to have been mainly French) believed that if the European Atomic Energy Authority and the European Common Market had already been in existence, European interests would have been more powerfully defended in the Middle East. He outlined reasons for believing that it was an illusion to think that European unity would enable the older democracies to take a more independent policy in a world dominated by the USA and the USSR. The tenor of his report was that European unity was reactionary and A Bad Thing.

Now, it is not the function of this column to read neighbouring columns with any other object than to enjoy them. In any case this column, not being resident in Paris, is in no position to attempt a refutation of a report from that centre, even if it wished to, which it most emphatically does not. I cannot, however, ignore the topic of European economic unity, which my West European Colleague raised so resoundingly, because in the next few weeks the UK will be feverishly debating its pros and cons as a prelude to deciding whether to join in, or to stay out of, a common European market. And as this column is, for the time being, hatched in London, I conceive it to be my duty to report British views and reactions to you.

The first point, therefore, that I need to make is that while the common market proposals, as seen from the UK, cannot fail to carry some political overtones, they present first and foremost an economic problem of the first magnitude, and of the most fateful consequences both for Britain and for the commonwealth of which India forms a part.

Responsible circles in government and industry with whom I have discussed Our West European Correspondent's dispatch dissociate themselves from any in Europe who may be prompted to work for greater European unity by the idea that a united Europe could have successfully carried out the recent Franco-British Middle Eastern coup that ended in failure. There are plenty of people in the UK who disagree with Sir Anthony Eden's methods of policy. But my British friends argue that because some people are inspired by doubtful motives to work for a cause, that does not mean that all the people who are working for it are inspired by the same motives, or that the cause is bad in itself.

FREE TRADE vs. PROTECTION

The suddenness with which the decision as to whether the UK should join a common European free trade area has been sprung has taken most people by surprise. It has aroused echoes of the Free Trade vs. Protection controversy which raged in the years of depression and which was settled—once and for all, as was thought—in favour of Protection in 1932, when Imperial Preference was inaugurated at the Ottawa Conference.

Was the 1932 decision in favour of Protection right or wrong? If right, ought the UK to stay out of the common European market? If wrong, and the UK joins, won't an inrush of cheap foreign imports disrupt the UK's present pattern of trade, causing bankruptcies, keeping wages down, and creating unemployment?

The first point that commentators are hammering home is that what is happening is not a revival of the old Free Trade vs. Protectionism debate.

The question in the 19th century was whether Britain could afford to remain a free trade nation while all its competitors were protectionists putting up tariffs against British exports. Today the question is whether Britain can afford to remain protectionist when Western Germany, France, Belgium, the Netherlands, Luxemburg, and Italy (which together constitute the most important industrial bloc in free Europe) are about to abolish all tariffs among themselves, thus opening up a single "home" market bigger than that of the USA, while retaining their tariffs against Britain and any other European country not prepared to join them.

These six countries are known as the "Messina" countries because it was at a conference at Messina, Sicily, in June, 1955, that their governments took the momentous decisions (1) to go ahead with a detailed plan for a common market between themselves and (2) to set up a European Atomic Energy Authority ("Euratom").

Little notice was taken of the Messina proposals at the time because most observers in Britain thought that they would peter out in talk, like so many other starry-eyed post-war resolutions for European unity.

However, the under current of European "federalism" had all the time been growing stronger, as the conviction spread among many statesmen, industrialists, trades unionists, publicists, and other national leaders, that West Europe splintered into a dozen small national divisions would have no future whatsotver in a world on the brink of an era of mass production by atomic energy and by automation which can only be really successful in large markets. The result was that under the imaginative leadership of M. Paul Spaak, Belgian Foreign Ministry, the Messina committee produced in April, 1956, a blue-print for a European customs union.

When the Messina committee's report was considered in July, 1956, by the Ministerial Council of the Organisation for European Economic Co-operation, all Europe—the British government included—awoke to the fact that the Messina countries had a practicable plan for a custom union, and looked all set to go ahead with it, whether or not Britain and the rest decided to come in.

In or out, epoch-making policy decisions were necessary. If Britain decided to participate, a whole lot of economic problems would have to be thought out and solved. If Britain decided to stay out, another

whole lot of measures would become urgent. The one course that was not possible was to do nothing.

It cannot be too emphatically stated that from the British viewpoint the question—"to join or not to join"—is not seen in terms of Egypt, Suez, and oil, of Conservative or Labour, or even of Free Trade vs. Protectionism. The Messina plan is only beginning to be discussed in the press, but it occupies front place in innumerable studies that are being made behind the scenes in the Treasury, the Board of Trade, the Commonwealth Relations Office, the Colonial Office, the Foreign Office, the Federation of British Industries, the Trades Union Congress, and scores of chambers of commerce up and down the country. To all these groups, struggling to grasp the complex tecnhical recommendations made by the Messina powers and by the OEEC experts, the question basically presents itself as the purely practical one.

EFFECT ON INDO-BRITISH TRADE?

If the UK were to stay outside a European Customs Union tariffs against German goods for example, would eventually disappear inside Europe while tariffs against British goods would continue. Could the UK afford this? If, on the other hand, the UK joins, how can her abolition of duties against the rest of the world be squared with the vast proportion of her trade that is done with the Commonwealth? What effect on Indo-British trade, for example, would the imposition of a common European tariff have?

Mr. Macmillan saw a way out of this dilemma by proposing that there should be a European free trade area for countries which wished to retain their existing tariff arrangements against the rest of the world. The effect of this would be that at the end of the 12 to 15 year period by which the Messina plan envisages the total abolition of all internal European trade barriers (tariffs, quotas, subsidies etc.) Britain would have three groups of tariff arrangements: (1) The highest level as today levied against imports from the USA and all other non-Commonwealth countries outside the European common market. (2) A lower level applied to Commonwealth members. (3) A complete free list of imports from European countries.

This would still have hit Commonwealth trade severely because 90 per cent in value of UK imports from the Commonwealth consist of drink, tobacco, and foodstuffs (raw, processed, or manufactured) which could not compete with similar exports entering duty free from neighbouring Europe. So Mr. Macmillan concluded that the basic condition of UK adherence to the common market must be the total exclusion of agricultural and horticultural products from the scheme. This leaves 90 per cent of UK Commonwealth trade unaffected, and of the remaining 10 per cent that could be affected, it is reckoned that scarcely any would be affected.

Not least of the reasons for the British government's sympathetic attitude towards the European common market is the consciousness that the Sterling area must disintegrate, to the detriment of all its members, unless the UK can find capital to invest in the Commonwealth. The British government believes that participation in the European market will expand the UK's national income and therefore provide a bigger margin for investment in the Commonwealth.

British circles whom I have consulted readily agree with Our West European Correspondent that national economic unity depends on a single economic and monetary policy and that would doubtless be many decades before, if ever, Europe could attain a unity to match the national economies of the USA and the USSR, but they do not agree that, because so great a measure of unity cannot be attained, therefore the expansion of markets, lower costs, higher productivity, and rising standards of living, attainable by a lesser measure of unity should be rejected. And while their primary pre-occupations are economic, they see no reason to deny that a common market would have political repercussions, and while it would admittedly not enable Europe to compete on equal terms with the USA and the USSR owing (a) to raw material and other economic deficiencies and (b) to the survival of some tensions in a loose political federation, they argue that a greater measure of unity would add just so much to Europe's influence and bargaining power, and they cannot see any reason to apologise for this. The similar creation of common markets in Asia, Africa, or South America, would have the same effects. Are Asians, Africans, and South Americans therefore to be warned off any steps towards a measure of co-operation which would increase their international influence?



THE ARABS OF THE WEST

(From Our Special West European Correspondent)

PARIS, January 11.

LAST October Habib Bourguiba, the Premier of Tunisia, launched the idea of a "North African ensemble" which would link together in a sort of little Commonwealth or federation France and her two former protectorates (Tunisia and Morocco) and Algeria. A few days ago he revived this idea, giving it an ever wider extension to include Libya, but still keeping it deliberately vague so that the prospective members of the federation would feel that Mr. Bourguiba was not formulating a plan so much as opening a discussion. The treaty of friendship that Mr. Bourguiba signed this month with the Premier of Libya was described by the former as possibly the first step toward the realisation of this North African federation, which Mr. Bourguiba calls "L'Occident arabe" — the Arab West. The point of this latter expression is to mark the fact that the Islamic peoples living to the west of Egypt should form an alliance or union distinct from, and in some ways opposed to, the "Arabs of the East" now more or less united in the Arab League. But the reference to the West in Mr. Bourguiba's proposal is not only geographical: it is meant to suggest an ideological difference also. Mr. Bourguiba has in mind that the Muslims of North Africa should "look West", to France and the USA, rather than look East to Cairo and Mecca.

Vague and grandiose plans for super-national unions are no new thing in the Islamic world. Indeed, dissatisfaction with the nationalism invented by the Europeans and since adopted in most other parts of the world is one of the constant themes of Muslim ideology today. This accounts both for much of the political instability of Islamic states, and for that sentimental pan-Arabism which is mistaken by Europeans for a new imperialism. It is difficult to say how much this persistent desire to go "beyond nationalism" depends on the universal aspects of the Mohammedan religion and how much it depends on the evident economic inadequacy, as a basis for nationalism, of any one territory in the Middle East or North Africa. Materialists and idealists can make their own guess about this, but the fact is there.

So one might be tempted to put Mr. Bourguiba's proposal in a class with the other sentimental dreams of super-national Arab brotherhood. But the Tunisian leader's plan has more positive features, which entitle it to closer attention. Firstly, it has the prime requisite of any union or alliance: it is against something. Specifically, it is against Egypt, and the Arab League of which Egypt has now become in some measure the pacemaker. In Cairo is centred and nourished the opposition to the moderate regimes of Morocco and Tunisia, and from Cairo are promoted the violent, extremist movements against Western influence not only in Algeria but in all African Islam south of the Sahara. Now the Muslims of the Maghreb ("the west" in Arabic) feel themselves culturally and economically superior to the eastern Arabs and especially to the Egyptians, who now pretend to Islamic leadership. They are convinced (and this conviction is shared by Mr. Bourguiba and the Sultan of Morocco) that they have nothing to learn from the "medieval" petrol kingdoms and nothing to gain from the belligerent adventurism and Communist flirtations of Nasser. The North African ensemble suggested by Mr. Bourguiba would thus be not simply a rival or junior Arab League but would represent a different and more progressive policy.

Writing of African Islam in the 'Manchester Guardian' lately, Thomas Hodgkin said: "The habit the French have of trotting out some old-fashioned traditionalist commissioned to express his unshakeable fidelity to the West and his distaste for the Arab League deceives no one but themselves." But it is clear that neither Mr. Bourguiba nor the Sultan of Morocco are old-fashioned traditionalists, and they are neither trotted out nor commissioned by the French to do anything. Their distrust of the Arab League and their preference for the West (meaning not only France but the USA) are genuine and natural, and if the French deal liberally with the Algerians similar sentiments will appear there. This is a suitable point to remark that the organs of Leftist or liberal opinion in Britain are a wonderful source of misinformation on anything to do with North Africa.

But the union of North African states is not only against something; it is a proposal based on certain positive economic and political facts. The first of these is that the present division into states and colonies of the Mediterranean and Atlantic littorals of Africa is a pure accident of imperialism and does not express any cultural or economic realities. Because Tunisia, Algeria and Morocco could form separate administrative units within the French Empire, it does not mean that each can exist separately as an independent nation. I have made this point here before in demonstrating that there is no "Algerian nation" to which the French can give national independence, any more than there was a Hyderabad nation which the British could liberate as a viable unit. Mr. Bourguiba's proposal is intended to recognise this fact. The Moroccans and Tunisians have had their independence long enough now to know that their poor, small states make no economic sense by themselves and have to continue to depend for money and every sort of technique on France. The recent visits to the USA of Mr. Bourguiba and the Sultan's son reinforced this lesson, for Washington emphasised that US aid to their countries would depend for its efficacy on their continued association with France.

That is why Mr. Bourguiba is suggesting not that the North African territories pool their separate poverties, but that they form a type of federation with France in which each member is politically free—or at least free to make political concessions—while co-operating economically and otherwise. It is felt in Tunis and Rabat that if each relies separately on Paris for money, technique and defence, then neither is fully free; but if the exchange takes place within a federation, their political independence will have been consolidated while their social and economic progress has been guaranteed.

It is of course a pre-requisite to this plan that France find some liberal solution for the Algerian conflict. Morocco and Tunisia cannot co-operate with France as long as Algeria is politically part of the metropolitan country, for that would be sanctioning and confirming imperialism. At the same time, the

Tunisian and Moroccan leaders realise that it is literally impossible for France simply to "get out" of Algeria as the British walked out of India, for one-eighth of the population is French. But Mr. Bourguiba thinks that his proposal offers the French a solution to this problem. Paris cannot and never will desert a million Frenchmen in a free and independent Algeria, but she could accept the political autonomy of Algeria within a union of which France herself remained an equal member with Tunisia and Morocco. The safeguard of the rights of the two communities in Algeria (Muslim and French) could best be guaranteed if Algeria formed part of a federation which included two independent Muslim nations and France herself as the senior partner.

Mr. Bourguiba's plan is obviously very vague and could not be instituted next week by a couple of proclamations. It pre-supposes much intricate negotiation, not least because France is concurrently negotiating a rather similar union in Europe itself, in the form of the Common Market and Euratom, and therefore the question would arise of how these two loose federations were to be connected. But the surprising thing is that the present French Government has shown so little interest in a plan which presents it with such magnificent opportunities. Paris is still at the stage of resenting any Moroccan or Tunisian interest in Algeria as an "intervention" in internal French affairs. This attitude is justified with regard to Egyptian or American meddling in Algeria, but it is absurd to pretend that Morocco and Tunisia are not as vitally concerned with Algeria as France herself is.

The Sultan and Mr. Bourguiba were going to discuss this plan for a North African union at their meeting in Tunis last October and it is perfectly possible that their talks would have contributed to a settlement in Algeria; M. Mollet hoped so at the time. But the kidnapping of the Sultan's guests, the Algerian rebel leaders, at the instigation not of Paris but of the French authorities in Algiers, aborted that conference and seemed to signify that France was not interested in any joint settlement in North Africa such as Mr. Bourguiba is proposing. Since then the situation in Algeria has further deteriorated and once the UN debate is past, France might begin to pay some attention to Mr. Bourguiba's suggestions.

Meanwhile the progress of French plans for exploitation of the Sahara Desert has given an added interest to the North African union. Such oil as the desert may prove to cover will have to be piped to the coast through the territories of Tunisia or Morocco; France now has the choice of preparing for herself the sort of trouble the oil-producers have had in the Levant with the transiting powers, or of associating the littoral states with the whole venture of exploiting the Sahara. Independent French development of the Sahara will not be as trouble-free as the technicians in Paris once imagined; Moroccan claims to ownership of vast areas of the desert have already given a foretaste of what might follow if the Sahara really proves to be a source of great wealth. Joint development through a North African federation under French leadership would in no way lessen France's profits from the venture (which in the event would not be so much business profits as the advantage of getting oil payable in francs) and would rule out many political complications.



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Economic Report from the U. S.

THE FEDERAL BUDGET

(BY GUY SIMS FITCH)

WASHINGTON, Jan. 16.—The Federal Budget for 1957-58 which President Eisenhower submitted to the Congress today is balanced in more ways than one. Most obviously, it is balanced in terms of receipts and expenditures; in fact, for the third straight year, a significant surplus is to be achieved. Beyond this, according to the President and his economic and fiscal advisers, the budget also has been "carefully balanced" with regard to the programme it presents and the fulfilment it seeks for the "needs of the present and the future."

It is well to remember in this connection that the booming economy of the US is straining the nation's resources in men, money and materials. As the President points out in his message on the budget to Congress, these strains have made it necessary for the administration to give priority to projects—both national and international—which are the most essential ones, and to postpone plans of less immediate importance. But even with this qualification, the Budget submitted calls for the expenditure of $71,800 million for the fiscal year ending June 30, 1958, a rise of $2,900 million over fiscal 1957. This would make it the fifth largest spending budget in the nation's history, exceeded only by three years of world war two and the Korean war year of 1953.

It is always difficult to make plans and forecast expenditure a year or more in advance. This is particularly true, however, at this time, when uncertainties abound in the world and when the American economy is undergoing continuous change and development. But the President and members of his administration believe that reasonable realistic estimates can be arrived at if certain guide posts are kept in view. These include the postulates of domestic economic well being and fiscal integrity, the need for military strength sufficient to deter aggression, the need for economic and military assistance to friendly nations and for the promotion of international trade.

The expenditures planned for the fiscal year 1958 include $38,000 million for the Department of Defense, an increase of $2,000 million over fiscal 1957; the continuance of military assistance to other countries at the 1957 level of $2,600 million; an increase of $300 million to a total of $1,800 million in economic assistance to other countries; and a rise of $400 million, to a total of $2,300 million for atomic energy. A goodly sum in this latter item goes to such peaceful atom uses as the building of nuclear power reactors, the development of new industrial, medical and agricultural applications of the atom and to sharing the nation's civilian atomic energy progress with other countries through the atoms-for-peace programme. Another $16,900 million will be spent on "civil benefits". Projects of this order will be undertaken, whenever possible, in co-operation with States and local communities, free of paternalist interference by the Federal Government, and together with private industry. To aid agriculture, for instance, it is proposed to set up new marketing, research and service facilities, to expand programmes for watershed protection, and to seek answers to the problems of drought, wind erosion and flood.

In the field of transportation, improvements are proposed in airway traffic control. Private financing of housing for elderly couples, co-operatives and other groups will be encouraged by special government sponsored mortgage programmes. Construction would be started on a number of new water-resource projects for flood control, navigation, irrigation, power and water supply. Outlays would be increased for programmes of health research and grants to hospitals, clinics and diagnostic and rehabilitation centers. The proposed budget also includes an expenditure of nearly $7,400 million for government interest payments, a rise of $100 million, reflecting higher interest rates due to the heavy demand for credit and capital throughout the prosperous American economy.

Expenditures for miscellaneous federal operations amount to some $1,800 million. This represents a sizable decline from 1957 due to the progress made in achieving greater economy and efficiency of government management functions. Despite increased expenditures, the budget makers estimate that the surplus of receipts over outlays will come to $1,800 million, a slight gain over the expected 1957 surplus. Estimated 1958 receipts come to $73,600 million, a gain of $3,000 million over the current year. Administration officials expect to apply the surplus to a reduction of the public debt. The debt now stands at $270,000 million, after being reduced by some $4,000 million in the past two years.

A Letter to the Editor

CRUDE OIL PRODUCTION IN INDIA

Sir,

A small point for the record, referring to "Estimated Crude Oil Production — India" on page 1005 of the Annual Number of 'The Eastern Economist'. The correct figures are considerably in excess of those given and are, in fact,

	(Long Tons) Digboi	Nahorkatiya	Total
January - June 1955 . .	133,354	33,325	166,679
July - December 1955 . .	124,543	40,745	165,288
January - July 1956 . .	175,290	47,947	223,137

(1 long ton = 1.01605 metric tons)

Yours faithfully,

A. C. Gowan

NEW DELHI,

January 15, 1957.

[The error is regretted. 'The Eastern Economist' figures were taken from a usually reliable source which has apparently not received the latest revised figures —Ed.]

The Call To Save

As citizens of India, you are called upon "to work wholeheartedly for the full and timely realisation of the tasks, targets and aims of the Second Five Year Plan."

The Plan has been embarked upon. Its success depends upon your providing capital for its working. In this effort no amount is too small—the man who saves a rupee and the man who saves hundreds—both are rendering national service.

Save as much as you can and entrust your savings to the nearest office of your Bank. In doing so you will help to build a new India and also create a valuable estate for yourself and your family.



The State Bank's branch at Delhi, one of the more than five hundred offices waiting to take care of your savings throughout India.

STATE BANK OF INDIA
INDIA'S LEADING BANK

SISTA'S SB-7

WORLDGRAM

AGRICULTURE

Research Stations for Oilseeds: The setting up of 17 composite regional research stations for cotton, oilseeds and millets at an estimated cost of Rs. 75 lakhs during the second Five-Year Plan period will be discussed by the Indian Central Oilseeds Committee at its tenth annual and eighteenth ordinary meeting on January 23. The meeting which will be presided over by Dr. M. S. Randhawa, Vice-President of the Indian Council of Agricultural Research and Additional Secretary to the Union Ministry of Agriculture, will examine ways and means for increasing the present production, of oilseeds in the country from 55.96 lakh tons to 76 lakh tons by the end of the second Plan period. Sir R. Sankaran, Secretary of the Indian Oilseeds Committee revealed that during the second Plan period it was proposed to spend Rs. 1 crore on the various research and development schemes connected with oilseeds.

INDUSTRY

Soda Ash Factory: A soda ash-cum-ammonium chloride factory involving a total investment of about Rs. 2 crores, will be established this year at Mughalsarai. The Union Government has granted licence to a Calcutta firm to run the factory which is expected to produce 120 tons of soda ash and 120 tons of ammonium chloride per day. The factory will employ over 300 skilled and 350 unskilled persons on permanent basis, in addition to other staff in the supervisory scale.

*

Diesel Engine Industry: The diesel engine industry in India is making steady progress. Production has recorded a sharp increase from 3,720 engines in 1953 to 10,000 in 1955. The output in 1956 is estimated at 12,000. The quality of diesel engines has shown considerable improvement in recent years. To encourage indigenous production, the Union Government has instructed State Governments to give preference to Indian diesel engines whenever they make purchases for their agricultural and industrial programmes.

*

Industrial Units Making Steel Forgings: By a notification issued in May this year, the Government of India brought industrial undertakings pertaining to the steel forgings industry within the scope of the Registration and Licensing Provisions of the Industries (Development and Regulation) Act, 1951. All industrial undertakings engaged in the fabrication of steel forgings, which employ 50 or more workers with the aid of power or 100 or more workers without the aid of power, came within the purview of the provisions of this Act. Government have now issued a notification which makes it clear that steel forgings, manufactured with the aid of power, for sale to the public would alone be covered by the Registration and Licensing provisions of the Industries Act. As a result, only those industrial undertakings which employ 50 or more workers with power and make steel forgings for sale to the public need apply for registration or licence as the case may be. Any undertaking which makes forgings for the production of articles, for which it is already registered or licensed under the Industries Act, need not apply for registration or licence unless its forging capacity is such as would enable it to effect sale of forgings as such to the public, in addition to meeting its own requirements.

*

Draft Standards for Muscovite Mica: The Indian Standards Institution has circulated three draft Indian standards relating to muscovite mica for eliciting comments. The standards are for definitions of mica terms, methods for grading and classification of muscovite mica blocks, thins and condenser films, and methods for grading and classification of muscovite mica splittings. These draft standards are the draft revisions of the two Indian standards published in 1949, namely IS: 13-1949, tentative Indian standard methods for grading processed mica and IS: 14-1949 tentative Indian standard classification of processed muscovite mica which have now been split up into three. Comments on the drafts may be sent to the branch office of the Indian Standards Institution, P-11 Mission Row Extension, Calcutta-1, before March, 1957.

*

Revised Draft Standards for Sodium Thiosulphate: The Indian Standards Institution has issued a draft revision of the specification for sodium thiosulphate (IS: 246-1950) for eliciting comments. The draft standard covers technical, photographic pure and analytical reagent grades of the material. Although the original standard, which was issued in 1950 as a tentative standard, prescribed the requirements of the pharmaceutical grade also, this grade has been deleted from the draft. In the revised draft, the limits for pH value and procedure for the determinations of sulphates anad sulphites (os SO4) have been modified. Comments on this draft revision may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before March 20, 1957.

*

Development Council for Non-Ferrous Metals: A Development Council for Non-Ferrous Metals has been constituted by the Government of India under the Industries (Development and Regulation) Act, 1951. This is the 11th Development Council set up so for. The Council will recommend to Government targets for production of non-ferrous metals, co-ordinate production programmes and review the progress of the industry from time to time. It will also suggest norms of efficiency with a view to eliminating waste, obtaining maximum production, improving quality and reducing costs. The Development Council will recommend measures for securing the fuller utilisation of the installed capacity and for improving the working of the industry, particularly of less efficient units. Among its other functions will be promotion of standardisation of the industry. It will also promote measures for increasing the productivity of labour and for general labour welfare.

TRADE

Foreign Trade of India by Land during November, 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 November, 1956, are as follows:

Merchandise			
Exports to Eastern Pakistan	..	Rs. 28	lakhs
Exports to Western Pakistan	..	„ 14	„
Exports to other countries	..	„ 6	„
Merchandise			
Re-exports	.. .. ..	Nil	
Merchandise			
Imports from Eastern Pakistan	..	Rs. 148	lakhs
Imports from Western Pakistan	..	„ 9	„
Imports from other countries	..	„ 26	„
TRADE TOTAL	.. ..	„ 231	„
TRADE IN TREASURE	.. ..	Negligible	

Balance of Trade

The total value of exports including re-exports fell short imports by Rs. 135 lakhs.

USSR-Afghanistan Trade Pact: A protocol on trade between the USSR and Afghanistan for 1957 and 1958 was signed in Kabul following talks between representatives of the two countries, according to a "Tass" news agency release. The protocol, the release said, provided for the further development of trade and extension of commodity lists. Under it the Soviet Union would increase substantially its deliveries of motor vehicles equipment, oil products and ferrous metals of Afghanistan. It would also export building materials, cotton fabrics and other goods. Afghanistan under the protocol would increase its deliveries of cotton, wool, hides, dried fruit, oil seeds and other traditional Afghan exports to the USSR.

*

Pakistan-Austria Trade Agreement: A trade agreement between Pakistan and Austria was signed in Karachi on December 24. The agreement is valid for a period of one year. The main items of imports from Austria include pig-iron, aluminium and aluminium alloys, asbestos sheets, building and engineering materials, machinery and millwork, diesel tractors, chemicals and photographic instruments. Exports from Pakistan include jute, cotton, hides and skins and certain manufactures thereof, sports goods and santonin.

*

UK's Radioisotope Exports: The United Kingdom maintained its position as the world's biggest exporter of radioisotopes in the year ended September 30, 1956, by exporting a record total of 8,617 consignments of radioisotopes, worth over £100,000, to 47 countries. Of these, 101 consignments were sent to India. These exports were part of a record total of 22,069 consignments produced during the same period—3,830 more than produced in the previous year. These facts have been revealed by the United Kingdom Atomic Energy Authority. The Federal Republic of Germany was Britain's best customer for radioisotopes, taking 1,266 consignments, followed by France with 1,051 and Sweden with 1,022.

FINANCE

New World Bank 4½ Per Cent Bonds: A new issue of 100,000,000 dollar twenty-year 4½ per cent bonds of the International Bank for Reconstruction and Development, generally known as the World Bank, was being publicly offered on January 10, at a price of 100 per cent plus accrued interest. The issue was designated as the "twenty-year bonds of 1957", due January 1, 1977. Marketing of the new bonds was being handled by a nationwide underwriting group in the United States of 161 investment firms and banks headed jointly by Morgan Stanley and Co. and the First Boston Corporation. This marks the first public offering of World Banks bonds in the United States since January 12, 1954.

*

Aid for Development of Handicrafts: Schemes for the establishment of twelve training centres for the development handicrafts in Kerala have been approved by the Government of India. The Union Ministry of Production, on the recommendations of the All-India Handicrafts Board, has sanctioned a sum of Rs. 1,25,830 as grant to Kerala, for the purpose. Four centres for training 60 students in the screwpine and koragrass mat weaving industry are to be set up in the four districts of Trivandrum, Trichur, Quilon and Kottayam. A training-cum-production centre is to be established in the State for the fibre industry. Training in new techniques and modern designs in fibre industry will be introduced at the centre. A training centre for the development of brassware and bell-metal industry is to be set up in the State. For the development of dyeing and printing, a training centre is to be established to provide training to 12 persons for a period of one year. A training centre for the development of the conceshell industry is also proposed to be established in the State.

French E.P.U. Deficit: France had a deficit of $39,022,000 with the European Payments Union in December compared with a deficit of $93,015,000 in November, Comtel reports from Paris. Belgium's E.P.U. deficit in December was $4,360,000 against a November surplus of $7.4 million. Switzerland had a deficit of Frs. 74. million with the E.P.U. last month, in November there was a surplus of Frs. 9.3 million, Holland's deficit of $1.5 million in December compared with one of $2.1 million in November. The Dutch claim on E.P.U. at the end of 1956 was $109.9 million.

*

Franco-Japanese Financial Agreement: A new Franco-Japanese financial agreement providing for settlement in sterling or transferable francs has been signed. The new agreement replaces the 1948 pact, under which settlement was in dollars. It came into force on January 1, 1957, and lasts for one year. It is renewable by consent for a similar period. Under the new pact authorised French banks may open foreign Japanese accounts in francs in the name of residents in Japan. The payments agreement was reached after negotiations since June 18. Talks for the conclusion of a Franco-Japanese trade agreement are still in progress.

GENERAL

Schemes for Installation of Powerlooms: Schemes from five States—Bombay, Kerala, Rajasthan, Bihar and Madhya Pradesh—for the installation of 6,055 powerlooms have been approved by the Government of India. This is the second batch of such schemes, so far approved, since the Government of India decided to introduce 35,000 powerlooms in the country during the current and the next financial years. Schemes from other States for setting up powerlooms are under scrutiny. The Bombay scheme envisages the installation of 2,500 powerlooms in the co-operative field in the State. The State Government has been sanctioned a loan of about Rs. 23,30,000 and a grant of over Rs. 1,73,600. The scheme for Kerala is for the installation of 2,000 powerlooms and for the training of 20 instructors for six months. The State has been given a grant of Rs. 2,06,000 and a loan of over Rs. 19,33,300. In Rajasthan 800 powerlooms are to be installed in the co-operative sector and six instructors are to be trained. The State gets a loan of about 7,17,000 and a small grant. In Bihar, 300 powerlooms are to be installed, in the co-operative sector and 455 powerlooms in Madhya Pradesh. Bihar gets a grant of Rs. 46,000 and a loan of about Rs. 3,13,500, while Madhya Pradesh has been sanctioned a loan of over Rs. 4,31,500 and a grant of over Rs. 28,000. The first batch of two schemes for the installation of 500 powerlooms in the Punjab and 600 looms in Saurashtra area of Bombay were approved in November, 1956.

*

State Social Insurance for Cyprus: A new social-insurance law for Cyprus—the first State-sponsored insurance scheme in that colony—came into force on January 7. It provides benefits of marriage, maternity, unemployment, sickness, old age, widowhood, and death. The scheme is based upon that in force in Britain, with workers, employers, and the State each bearing part of the cost. At the outset, the workers' contribution will be just over 1s per week, women paying slightly less. Benefits for sickness, unemployment, widowhood, and old age will be £1 4s. per week, with additional allowances for dependents. The maternity grant will be £5, and the marriage grant £10. Nearly 50,000 workers, including 12,000 civil servants, have been enrolled under the scheme. Eventually it is expected that 100,000 will register.

NEWS IN BRIEF

INDIAN

The Government of India and Italy are actively considering a proposal for a bilateral agreement envisaging Italian help in India's programme of expansion of shipping during the second Five-Year Plan. The Italian Government is also likely to assist in the field of heavy industries.

*

The Government of India has invited tenders for the supply of railway equipment, the value of which is placed at Rs. 28 million. The equipment includes eight narrow-guage locomotives, 70 locomotive boilers, all-metal lightweight rail cars and 32 steam diesel operated cranes.

*

It is reported that the Indian Standards Institution is now working on an extensive project for economy in the use of steel through standards at the instance of the Planning Commission.

*

Earnings from fish exports from India recorded a sharp increase to Rs. 21,700,000 in the first six months of the current fiscal year from Rs. 14,200,000 in the same period last year. In 1954-55 the value of fish exported from India amounted to Rs. 44,900,000 but it declined to Rs. 37,600,000 in the next year.

*

The third Commonwealth Standards Conference will be held in New Delhi from January 21 to February 3, 1957. General questions of policy will be reviewed in separate sessions where problems of common interest like the metric and the inch-pound systems of measurement, certification marking, standards for consumer goods, general alignment of standards and terminology will be considered.

*

It is reported imports of both rice and wheat will be stepped up by the Government of India during the current year in order to prevent any rise in the prices of food grains in the country.

*

Drilling for oil operations in the Bengal basin area is expected to commence within the next three months. The first drilling operation would start somewhere near Burdwan, 60 miles west of Calcutta.

*

A few more sugar factories, apart from the four co-operative sugar factories to be established by the U.P. Government under its second Five-Year Plan, are likely to be allotted to the State by the Government of India.

*

It has been decided to continue to issue licences for import of raw cotton stapling 1-3/16 inches and above from soft current licensing period. Licensing will be done on "first come first served" basis within a limited ceiling.

*

The Government of India has decided that throwstors silk waste, silk waste of Jammu and Kashmir and Punjab origin and silk waste of Bengal, Bihar, Assam and Madhya Pradesh origin will continue to be licensed freely for export up to the end of December 1957 to all permissible destinations other than the Portuguese possessions in India.

*

In 1956, the production of electric fans is estimated to have risen to 337,000 from 282,000 in 1955, 236,000 in 1954 and 206,600 in 1953.

FOREIGN

Despite import restrictions, Australian Customs and Excise revenue collections in the first six months of the financial year totalled £A144,841,124 compared with £A125,282,266 for the first six months of the previous year.

*

It is reported American-owned companies in Chile produced about 440,000 metric tons of copper in 1956.

*

In the closing months of last year total production in the United Kingdom was running at about 2 per cent below the peak reached at the end of 1955.

*

A Joint Belgo-German venture to produce drugs for fighting tropical diseases is announced by the pharmaceutical company Bohringer and Sons of Mannheim.

*

The volume of domestic traffic on US airlines, both scheduled and non-scheduled in 1956 was almost as heavy as on the nations railways according to preliminary estimates of the Air Transport Association.

*

It is reported a delegation of the Pakistan Chamber of Commerce has gone to Goa to study Commercial prospects in the Portuguese colony.

*

Consolidated Paper Corporation of Canada has announced an increase of four dollars a ton in the price of its newsprint, effective from March 1. A similar increase was announced on January 2 by the Abitibi power and paper company.

*

Tea shipments from major producing countries Pakistan, Ceylon, India and Indonesia—in the first nine months of 1956 were higher at 681,720,000 lbs. compared with 564,110,000 lbs. in the same period of the previous year.

*

US crude oil exports in the first quarter of this year will be 14 times greater than those of a year ago, forecasts the US Department of the Interior.

*

Steel output in Germany last month was 1,854,000 tons against just over 2 million tons in November. Output in the whole of 1956 amounting to 23.2 million tons was 8.7 per cent up on the 1955 figure, but still just a shade below the anticipated figure of 23.4 million tons.

*

Owing to the abundance in the Money Market the Bank Deutscher Lander has reduced its selling rates by 1/8 per cent to 4-5/8 per cent for 30-90 day Treasury bills and bonds of half a year and beyond.

*

The Italian Official Gazette announces that foreign bank notes now negotiable on the free currency market include United States dollars, Canadian dollars, sterling, Danish, Norwegian and Swedish crowns, Dutch guilders, Belgian, French and Swiss francs, Deutschemarks and Austrian Schillings.

*

UK exports reached a new record during 1956, and with the value of imports over the year showiny little change the visible trade gap was reduced by £228 million to £571 million.

*

A new Canadian iron-ore project based on the Ungava, Northern Labrador, deposits has been announced by the steelworks oberhanssen. A study group consisting of the Krupp, Hosch and Oberhansen business has been set up to prepare joint long-term contracting of the ore.

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Special Articles

ECONOMIC ANALYSIS IN INDUSTRY *

By B. H. TRENEAR-THOMAS

ONE of the primary functions of higher business management is to look ahead; it is not enough for a major commercial undertaking to concern itself merely with today's sales and tomorrow's raw material requirements. Though this has always been true, the growing complexity of our civilisation and the rapidly increasing scale and scope of modern industrial activity has introduced a new decision for management — that of establishing the methods required to enable itself to be informed of probabilities on a suitable time scale and in the requisite detail and accuracy. It might be said that the problem resolves itself into that of avoiding the element of surprise, and ensuring the maximum economic deployment of the resources available to the organisation. The length of the view taken in the time-scale may be governed largely by the degrees of dependence on further capital investment, and as oil concerns have to work much farther ahead and cover far more fields than most firms in other industries, they are perhaps good illustrations of the general principles involved.

To ensure supplies of the right kind at the right place oil companies must constantly take a view of demand five, ten and fifteen years ahead. The oil industry does in fact engage itself in what is now called perspective planning and virtually for the same reasons as Government. Economic analysis is also of short term value to management and has a wide field of activity in the primary function of keeping management informed of the current climate of trading conditions, as a background to their day to day executive decisions. However, it is principally in the important function of forecasting that the following remarks are addressed.

Since the future is unknown, and in the strict sense unknowable, long term forecasting is inevitably a hazardous business. An expectation of events can reasonably be said to be the projection of past trends, suitably modified. The influences which may be at work to promote modifications can be, and generally are, highly complex and the technique of the forecaster lies in applying economic analysis to measure the forces at work, though finally there is no substitute for experience and judgment when relating together these forces in scale of importance to give a balance prediction of probability. Certain major influences that can occur must be disregarded; for example, the course of international tensions are essentially unpredictable both in direction or strength of effect up to the level of major war, and major financial crises on a global scale must reasonably be disregarded in a long term estimation as essentially unpredictable. On the other hand very substantial influences may modify the natural growth of demand and which lie much nearer home, though outside the immediate business of the industry. Examples would be policies adopted by Government to restrain an impending foreign exchange crisis or increases in taxation designed to raise revenue for prosecution of national plans. Here it might be said that these coming events may throw a long and possibly predictable shadow in advance, and the timing or extent of measures taken could be considered as predictable through economic analysis of the impending situation. Any such judgment must also be assessed in the light of practical politics by answering such question: "How has Government reacted previously when under pressure from similar situations?", or, "Has Government been seeking advice from sources with particular known solutions to particular problems?" And, "Is the Government in the habit of following the practice in certain countries as a precedent when specific situations develop?"

The oil industry faces some unusual problems. It is required to supply a wide range of products which enter into many fields of activity but which come from a raw material of varying quality. To minimise the hazards economic analysis must cover the many factors affecting the main markets in question, and for the oil industry these move across the whole structure of economy. The basic fact for recognition is that the industry sells energy, and the release of this energy takes place through many channels. In India the biggest single channel is that of release as light; for the greater part of India's millions kerosene is the only practical illuminant, but it is steadily increasing in importance in that other sector of the domestic front — as a cooking fuel. Measurement of this movement is, therefore, of immense practical importance when one realises that though India is among the lowest consumers of oil products per capita in the world she is the world's largest civilian consumer of kerosene in total. The analysis of the factors involved in kerosene consumption is of great interest and they are many — national income and purchasing power, the pattern of priority in spending, the employment sectors of major kerosene demand, the future availability and price levels of possible alternatives, availability of equipment and others. For kerosene as a domestic cooking fuel other factors enter the picture such as the effect of Community Development and basic agricultural policy on the availability of the major domestic alternatives, dried animal wastes, wood and charcoal.

Applied power can reach the consumer through a most versatile medium — electricity, but electricity is only the channel of communication not the source; that lies in the falling water, coal, oil or the forces in the atom. The growth of total applied power through the expansion of electrical service is a most interesting study both in total and broken down into the component parts of the different basic methods of generation from the primary sources. By reason of the immense capital required to construct the huge civil engineering works associated with hydro-electric schemes, the forward pattern of these systems is visible well in advance and as producers of prosperity are frequently associated with massive irrigation schemes; they are factors of great importance when assessing relative changes of purchasing power of the population in an area over a period of time. Big thermal generating stations burning coal or fuel oil play a different role but they are again essentially large units and, therefore, the growth of this system must be planned well in advance. The big thermal network in the U.K. is planned forward on a twenty-year basis. In India the decentralised sector for electricity demand in townships and villages is fed through the most versatile machine, the diesel generator. For many years there will be virtually no alternative to the diesel for village service and to supplement shortfalls in major consuming areas; a situation which is now arising in the Delhi area and was essentially predictable. An

* A paper read at ATIRA's Management Conference January 4 to 6, 1957.

analysis of the potential demand for this type of power is necessary if forward supplies are to be maintained.

In agriculture India has shared the load of effort for centuries between man and the animals. But there are sound economic reasons for replacing animals by mechanical means for water lift for example. Similarly India is increasing her use of machines for the actual preparation of the land and the subsequent processing of food in her thousands of grain and oil mills. As India is basically an agricultural country of great size the movement of the forces at work in agriculture are clearly of great importance to the oil industry. Any movement towards mechanisation is capital intensive, in a sector which is notorious for its inability to accumulate adequate quantities of capital, to such a degree that even the basic banking system required has not developed beyond the rudimentary stage. Here, close measurement is required of the effects of the development of co-operative credit systems and the Community Development movement.

In transport there is a reasonable predictable demand developing in the future for increased main service transport requirements. Part of this will be met by the railways to an extent limited by public finance available, ability to execute the works required for expansion, and a factor for improved efficiency. The balance of demand must be met by increased roal haulage, and this is largely dependent on the use of liquid fuels. This is valid approach and as an aid to forecasting would yield sensible results, but it is not the whole story. As prosperity at village level rises, both through agriculture and decentralised industry, and as roads are constructed locally by the people themselves, a demand is generated for inter-village movement and in the local gathering systems round railheads. The type of equipment required is different to the long distance systems and subject to different rates of growth.

There are many other fields of activity which concern us such as the use of fuel oil for industrial process heat, particularly in the mill industry of Bombay, and the problem is essentially that of recognising and measuring the fields of social and industrial activity which generate demand. This clearly cannot be done without constructing a model of the economy at a future date, and therefore, close study of the Five-Year Plan and the perspective targets on a national stage are required, under the main subheads of development expenditurfe, together with an objective assessment of the probabilities of success. The crudest methods of analysing future demand are those which merely project past trends and which, therefore, rest on the implicit assumption that the relevant casual factors will continue as before. In practice this is seldom true, and for a situation of striking change such as that impending for India at this stage in her development there is no substitute for the laborious, but far more accurate, methods of objective analysis of the variables at work in the many fields of demand. In this the business forecaster does not work alone as he can draw on the estimates of Government economists and forecasters working in other fields.

There is no effective substitute for the laborious process of detailed assessment product by product, and area by area, against projected national development and targets in the future, but the results in total can be examined against the trend lines in the past and by a further process of elimination. This method attempts to establish a total demand for energy in the future and then examines the practical contribution which can be expected from alternatives such as coal and electricity etc. and concludes that the balance would have to be provided by oil. Any result which is achieved by showing a balancing item after a series of calculations may be subject to a wide margin of error and, therefore, valid only as a cross check. It is, however, a method that is proving valuable and adopted in highly industrialised areas where energy consumption is found to have well established relationships with the rate of rise of industrial production, which can be a function of investment rate, etc.

In India we must still look on this method as experimental in view of the shifting balances as a young industrial power begins a rapid growth in an age-old agricultural civilization. Finally, the real practical check on all these processes lies in the views of the commercial staff; they are frequently accused of being incurably optimistic, but in the oil industry events have shown a persistent tendency virtually world wide to underestimate the long term strength of demand. Recognition must be made of the fact that one of the strongest forces behind this growth is technological and the effects of technology are remarkably self-sustaining in advancing at compound rate of increase.

It was mentioned earlier that the requirements of capital investment dictated the application of economic methods to forecasting and also set the time scale ahead for examination. Some illustration of this might not be out of place. The oil industry as a whole will be investing between Rs. 3,000 and Rs. 4,000 crores equivalent this year. The Shell Group alone will be investing about Rs. 400 crores. Capital of this order can only come from the world's markets to a small extent, between 10 per cent to 15 per cent, the rest must be internally generated. However, carefully and wisely this money is put to work we are perennially short of the caiptal required for all the work that needs to be done. If an order is placed for a tanker now, delivery cannot be expected inside four to five years, a refinery takes at least three to four years to plan and build, certain special equipment and pressure vessels even longer.

Behind this activity goes the greatest share of the outlay; that required to maintain long term production and new discoveries. But the longest task of all is perhaps to select and train the staff so that their accumulated skill is ready when their maximum effect is required in twenty and more years from now. The scale of our modern industrial activity sets such a penalty on error that here lies the real target for the work we are doing — the elimination of surprise.

MORE ON CO-OPERATIVE FARMING

"MUCH more is at stake in the current debate on co-operative farming than many participants in it realise — not only the growth of agricultural output but the freedom and dignity of the peasant, the relationship between the peasantry and the city gentry, social stability, the future of our nascent democracy and the vital rural roots of our culture and civilisation. ..... The time has now come for co-operators to have the courage to say 'where co-operation shall stop, and where the State shall stop,' lest in the name of co-operation, and using its terminology and apparatus, the State should gradually reduce the peasant to a new servitude".

These words conclude a valuable and timely monograph on 'Co-operative Farming' just brought out by the "Research and Education Division of the Indian Co-operative Union", New Delhi. It is particularly timely because the Patil Delegation to China on Co-operative Farming do not appear to have submitted their report yet to the Government of India. Perhaps a serious debate is still going on among the members of the Delegation, for on an issue of this kind violent differences of opinion are bound to manifest themselves. The monograph in question should greatly help in the deliberations of the Delegation.

Whatever the Delegation may or may not say on Chinese co-operative farming or co-operative collective farming, the Congress Party has already taken a certain stand in the matter of organising the co-operative movement for agricultural production in India. This stand, which is contained in that Party's latest election manifesto, is: "Co-operation is essentially a voluntary effort, and without the active participation of the people no amount of Government direction will yield adequate results.....Co-operation, therefore, has to be developed as a popular movement 'with the help and guidance of the State.' This is not only necessary for the purposes of higher production, but also to develop that way of life which is based on individual freedom as well as co-operative effort". The quoted words convey that the ruling party is now fully aware of the stakes involved and that it does not intend to hustle things in this delicate field, although at one time in the last few months it looked as though Indian co-operation might receive a Chinese orientation and the Congress-proposed co-operative farms might be so fashioned as to slide into collective farms ultimately.

It may be recalled incidentally that 'The Eastern Economist' has drawn pointed attention on different occasions in recent months to the undesirability (from more than one point of view) of co-operative farming with a collectivist slant. But the arguments advanced by us from different angles need not be repeated here. Suffice it to say that men in power appear to have been influenced, to some extent, by a large section of the Indian Press and, to a greater extent, by their own shrewd political instincts. As the class of landowning agriculturists represents an enormous voting population of about 90 million in the entire country, the Congress Party's current soft-pedalling on the issue of co-operative farming is understandable. It is true that the Party's enthusiasm for co-operative farming has not wholly waned. But the significance behind the omission of a co-operative farming plank from the Communist Party's election manifesto may not be lost on the shrewd political strategists of the Congress. Surely the Congress Party's open announcement of the ultimate goals of agrarian reorganisation cannot be more frightening than the Communist Party's studied concealment of its ultimate agrarian goal of collectivisation. So long as parilamentary democracy based on adult franchise continues to prevail, there is no very great danger of a democratic party like the Congress resorting to undemocratic methods in the matter of agrarian co-operatives. The point need not be laboured here that the Congress may scrupulously avoid such methods for the simple reason that the Communist Party could easily make political capital out of them and emerge as a powerful party in the conditions of our parliamentary democracy.

In this context, therefore, the words "with the help and guidance of the State" have no ominous ring about them. Also, it is well known that Indian co-operation in its various spheres has all along been a voluntary movement helped, guided and, to some extent, regulated by the State. If co-operation in spheres other than farming has not made any phenomenal progress in the country even with State help and encouragement, there is no reason to believe that co-operative farming (which involves pooling of land and joint management and which is, therefore, an inherently more difficult affair) would make greater strides in the absence of a degree of direct or indirect compulsion and pressure. But fortunately the Congress is not capable of exerting this kind of compulsion and pressure for the simple reason that it does not have and will never have at its disposal millions of trained party cadres as the Chinese Communists have. In any case 'state help and guidance' is by no means an alarming prospect for "especially in the under-developed countries it would appear that the agricultural population is often not in the position to launch co-operative endeavours on an effective scale without some guidance and assistance from the State". ('Progress in Land Reform', United Nations).

But in India 'state help and guidance' in the matter of co-operative farming is bound to be extremely limited in any case on account of inadequate resources in the foreseeable future. It is, therefore, not surprising that during the entire period of the second Plan, only about 5,000 co-operative farming societies are proposed to be organised throughout the country. And these societies are to get subsidies for administrative expenses, credit on liberal terms, preference in consolidation proceedings, technical assistance and supply of seeds, fertilisers, etc., and special financial and technical assistance for developing ancillary occupations. As these farming co-operatives are to be organised in National Extension Blocks they are likely to work better than the 1,000 and odd co-operative farms already in existence? The case studies (carried out by the Indian Co-operative Union) of three such societies probably confirm the obvious impression that almost all the existing societies should be functioning badly. As these societies were formed in a haphazard manner and at a time when the highly educative Community Development programme was unknown, they were probably foredoomed to failure. Perhaps a similar fate may not overtake the 5,000 societies to be organised in the National Extension Blocks. This is just an experiment. If it fails even in the Community Project and National Extension areas, co-operativisation of farming as a long-term objective in agricultural policy may be slowed down. Even if it succeds, it can only be a partial success and is least likely to be extended in one gigantic sweep to all the 500,000 villages in the country.

As no conclusive lessons can be drawn from the working of such defectively-organised societies as now exist, final evaluation of co-operative farming techniques in Indian agrarian conditions might have to await the completion of the second Five-Year Plan. This, however, does not mean that the pros and cons of co-operative farming need not be studied now in the light of such data as can be assembled. The Indian Co-operative Union's monograph presents an array of arguments against the very concept of co-operative farming. They are partly based on the sorry experience of co-operative farming (even where voluntarily organised) here and elsewhere and partly on the assumption that individual peasant-farming can be rendered more efficient and remunerative for the farmer with the aid of service co-operatives. This is a powerful, though partly theoretical, case. The public debate is on and will continue till the last word on the second Plan experiment is said. The Co-operative Union's monograph is a timely contribution to this debate and is, therefore, doubly more valuable.

The Co-operative Union's case against co-operative farming is as follows: (1) The continuing multiplication of small holdings in India certainly militates against rational agriculture. But there is no direct remedy for it within a democratic framework until industrial growth brings about a substantial reduction in the manpower dependent on agriculture. The proposal to combine or co-operativise all holdings below a specified size by law is impractical, but the enforcement of a 'floor' is a more difficult affair than the enforcement of a ceiling inasmuch as it would affect almost half of the peasant families in India. The im-

position of 'ceilings' will not facilitate the imposition of 'floors' for it would not release more than 5 per cent of the total cultivated land for redistribution. If landless workers are given a prior claim on it, the land likely to be available for enlarging the smallest holdings would be negligibe.

(2) A programme of 'voluntary' co-operativisation is advocated as the next best alternative to capitalist estate farming which is rejected in spite of its economic merits. Co-operativisation cannot alter the basic man-land ratio significantly. The enlargement of the size of the farming unit would be more imperative if land and capital were abundant relatively to labour and it were possible to mechanise agriculture on a large scale. But the scope for mechanisation is extremely limited in a labour surplus country like India. A more rational use of labour made possible by co-operativisation would bring out the under-employed as wholly unemployed. This would be unfortunate when the rate of labour absorption in industry is severely limited due to other factors. As the size of the unit increases, the difficulties and costs of management also increase faster in agriculture than in industry. The workers are spread over a much wider area and the supervision required is much closer than in industry. The diseconomies of large-scale management in agriculture offset the other economies of scale fairly soon. That is why money returns per acre on smaller family farms are often higher than on large-scale farms.

(3) There are many practical difficulties of running a joint farming co-operative. The measurement and evaluation of different types of farm work is extremely difficult. Where management is democratically elected, discipline is poor and efficiency suffers. Where management is authoritarian, co-operatives lose their co-operative character. On all accounts, the co-operatives are afflicted with discontent and dissension. In India dissensions which would normally arise due to purely economic reasons multiply manifold on account of casteism and the indiscriminate mixing of landless labourers, tenants, and small and medium landowners which must take place in co-operative farms. Hired workers or members of large co-operatives can hardly be expected to cultivate the soil so intensively and well as peasant-proprietors or tenants with secure long-term rights. The sense of property is so deep-rooted in the psychology of the Indian peasant and his attachment to land is so strong that any proposal which deprives him of independent rights of cultivation arouses his instinctive hostility. Where even the members of a joint family—a natural co-operative—would seldom keep their holdings together for joint cultivation, large numbers of unrelated families are still less likely to do so. There is no evidence that farmers have been or can be enthused about joint farming except under extraordinary conditions and for short periods. The record of the co-operative farming societies started in India shows that except in a few cases it has been found necessary to revert to individual farming. The attitudes of the refugee or the landless worker settled on land through such societies are not relevant for determining whether co-operativisation can be an answer to the problem of small holdings. It is the attitude of the peasant-proprietor that matters.

(4) As persuasion can modify the attitudes of the Indian peasants only in certain respects and to a limited extent and as coercion (and administrative preferences and pressures amounting to coercion) should be ruled out in a democracy, the commercial and financial economies of scale should be brought to the small farmers by purchase, sale, credit and service co-operatives. Their incentives then would remain unimpaired and cultivation intensive and they could not only raise more produce per acre but also reduce their money costs and increase their money returns substantially.

Some of the above arguments are valid and sound, while some others are logically contradictory. But even the sound ones can be countered by equally sound arguments from the other side. However, the balance of economic advantage certainly appears to be on the side of individual peasant-farming if it could be rendered more efficient and remunerative with the aid of service co-operatives. This is precisely the view that 'The Eastern Economist' has been canvassing. But this economic consideration alone may not decisively weigh with a political party like the Congress. Only political factors are likely to weigh decisively with the Party in its ultimate rejection or confirmation of co-operativisation. If co-operativisation is not to be confirmed, the alternative should be politically acceptable to that Party. The political acceptability of the alternative may depend on some kind of modification of the land tenure structure. Such reformation can have a liberal orientation and be also politically attractive even though it would involve no radical reconstruction. Economic researchers may well set themselves to think anew, however reluctant they may be to reconcile themselves to the regrettable (but unalterable) fact that the country is passing through a period of history when no economic problem can have a straight economic solution.

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U.S. COTTON EXPORT POLICY FOR 1957

By

(CROESUS)

IN view of the trade agreement between India and the USA, whereby India is expected to import quite a sizeable volume of American cotton during the next three years, cotton interests in this country are keenly awaiting the terms and conditions of the new export drive of the United States Department of Agriculture, especially with regard to the export of America's surplus cotton. Towards the end of 1956, there were clear evidences to show that the US cotton export programme was going to be stepped up considerably. Thus, during October, over one million bales were sold, while, in the following month, a further 837,000 bales were contracted for, bringing the aggregate to over six million bales, which left a balance of just 732,000 bales with the Commodity Credit Corporation.

Various factors have contributed to the large-scale offtake of American cotton by several countries thus. In the first place, there has been a distinct improvement in the textile outlook of some cotton-importing countries, India being an exception, having to contend with the whimsicalities of the Government's textile policy; secondly, there has lately come to prevail a greater confidence in the general trend of cotton prices. America, however, did not wait for these favourable factors to bring about a more sustained demand for her cotton. With characteristic business acumen, the United States Department of Agriculture and the Cotton Council International launched an intensive sales promotion, especially in Japan, where there was an appreciable increase in domestic sales by textile manufacturers in the first half of 1956. As textile sales expanded, Japan found that there was also the need to increase her import of cotton. A similar programme of sales drive has been in operation in France and Spain which too may be expected to yield similar results.

The U.S.D.A. and the C.C.I. have also jointly taken upon themselves the task of helping the US cotton industry in developing and promoting new and expanded uses for cotton in foreign countries. By pooling their funds, the joint organization is enabled to hold exhibitions at International Trade Fairs, as also to plan out large-scale sales campaigns by featuring the various uses of cotton. That the U.S.D.A. is quite earnest in accelerating the tempo of American cotton exports is evident from its sustained campaign of sales promotion and market research thus. It has, as is to be expected, gained fresh confidence in its ability to dispose of American surplus cotton by the phenomenal success which has attended its extended export sales programme during the 1956-57 cotton season. On December 31, 1956, total exports under this programme amounted to 6,230,000 bales; the volume of exports during August and September, 1956 was easily the highest on record since the pre-war period, inasmuch as it amounted to 928,000 bales, as against the unusually low figure of 177,000 bales recorded during the corresponding period in 1955. According to private estimates, exports were well over 1.5 million bales during October-November, 1956 compared to only half a million bales during the same period in 1955.

It is against this background that one has to view the details of her export programme in respect of cotton for the New Year which America is shortly expected to announce. The Commodity Credit Corporation, it may be noted, has already taken possession, on January 1, 1957, of as much as six million bales of the 1955 cotton crop, which will have to be catalogued. Now, it would seem that there are to be two separate stages in the general export programme. The first is expected to cover cotton to be shipped prior to August, 1957, while the second will relate to cotton to be invoiced to shippers on August 1, 1957 and to be exported within the following six or nine months. There are rumours that shippers will be given the option of purchasing under the same minimum price terms as for the 1956-57 stocks, provided shipment is effected not later than August 15, 1957, or, alternatively, of having the cotton invoiced to them on August 1, 1957 for shipment over a subsequent defined period, subject to a reduced price 'floor'.

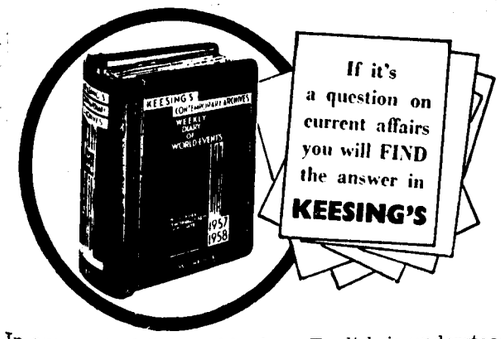
Now, what effects would the anticipated increase in the tempo of American surplus cotton exports have on cotton exports from other cotton-producing countries? In providing an answer to this poser, an undoubtedly important determinant is the trend of consumption, as also that of stocks, in the countries concerned. Thanks to the improved level of world economy, consumption of cotton has been, and is expected to be, maintained at a high level, which means that stocks in general would necessarily be on the decline. In fact, stocks in the net importing countries were generally at or near the minimum levels, so that there is bound to be an expansion of consumption leading to an increase in imports by these countries. Demand from Communist countries also has been on the increase since recently, and this too may be expected to contribute to the general increase in the export of cotton. Aggregate free world exports, which were 11.6 million bales in the 1955-56 season, are accordingly expected to set a new post-war high during the 1956-57 cotton season. This is a view held by such authoritative sources as the International Cotton Advisory Committee, Washington, which points out that "the effects of the US export policy on other countries" exports this season may be moderated by the probable rebuilding of stocks in importing countries. "But", as the ICAC has rightly taken care to warn, "this is not a continuing process and might mean a reduced total volume of exports next season. If this is so, then heavy exports from the US next season may pose more of a problem for other countries". This can only be prevented by either the US further reducing its acreage under cotton effectively to lower production—which seems improbable, despite the success of the Soil Bank programme—or by all the countries interested in cotton, whether as exporters or as importers, meeting at a world conference to thrash out this intriguing problem.

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(QUARTERLY BULLETIN)

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

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BUSINESS NOTES

SUGAR DEVELOPMENT COUNCIL MEETS

A GOOD deal of light was thrown on various aspects of the sugar industry when the Development Council for the Sugar Industry met in Walchandnagar (Poona) last week-end (January 12). While the need for raising the production target for the sugar industry for 1957-58 was generally accepted as being within the easy reach of achievement and, was, therefore, fully justified, the equal urgency to explore fresh avenues, especially in reference to certain technical matters, as, for instance, increasing the sugar content of the standing cane crop, pre-harvest special spraying with a view to accelerating the maturity for the cane, was not overlooked.

The Development Council began by first approving of a plan for the sugar industry for 1957-58, which aims at a production target of 2.16 million tons, the estimated production during 1956-57 being 2.05 million tons. For the materialisation of this plan, the installed capacity of the industry is required to be raised by 0.35 million tons, and this is expected to be brought about by providing for the establishment of 22 new factories and the expansion of 17 of the existing factories. This scheme of setting up new units and expansion of old ones is estimated to entail an additional investment of Rs. 24 crores, Rs. 19 crores on new factories and Rs. 5 crores for purposes of expansion of existing (active) units. Although the increase in production aimed at is only 1.1 lakh tons thus, it remains to be seen how far this will be achieved in view of most of the new factories being co-operative units.

Two other important questions which the Council spotlighted related to the encouragement of exportable surplus of sugar and the issue of having uniform wage scales and allowances to workers in the sugar industry. As regards exports of sugar, it was disclosed at the meeting that the Government of India have, on the recommendations of the sub-committee of the Development Council for the sugar industry, decided to allow exports of sugar up to 50,000 tons for the present. The export of any commodity at this time of scarce foreign exchange is to be welcomed and encouraged. Moreover, the time is propitious now. According to the Joint Secretary of the Union Ministry of Agriculture, Mr. Puri, who addressed the Council, exports of sugar could now be attempted without any loss; until lately, sugar from India could only be exported at a loss of Rs. 4 to Rs. 5 per maund after allowing for the rebate of excise duty. The Council, naturally enough, commended this decision of the Government.

Examining the question of providing uniform wage scales, it was suggested by the Council that a sub-committee be set up to study the problem. In this connection, however, Mr. Puri, drew pointed attention to the proposal to set up a tripartite wage board on an all-India basis for the sugar industry, with an independent chairman, three independent members and three members representing both employees and labour. He further observed: "The proposal from the Labour Ministry which has been concurred in anticipation of the approval of the Council, it is hoped, will go a long way in removing the inequalities and improving the relations between the employers and employees of the industry which is so necessary for raising efficiency".

On the production front also, the performance of the sugar industry has been quite encouraging, especially following the prolonging of the season in parts of the Punjab, the U.P. and Bihar which enabled the industry to produce in 1955-56, 50,000 tons more than in the previous season. In furtherance of this expanded production, a policy of licensing additional capacity has been followed. It is proposed to do this by both setting up new factories and expanding existing factories. It is relevant to note here that the grant of licences for new new units in sugar industry has been reviewed and that 54 new factories were licensed, as many as thirty-eight of these being established as growers' co-operatives. As a result of these measures, it is expected that the sugar industry would be able to report a production of the order of 25 lakh tons per month by the end of the second Plan.

Production of sugarcane, so important for the development of the sugar industry also has been quite promising. The development work "is proceeding satisfactorily" observed Mr. Puri. As a result of the development schemes during the first Five-Year Plan, the per-acre yield in the development zones went up to 30 per cent. It is now proposed further to intensify this development programme to cover the entire sugarcane crop by 1960-61.

Soil survey too figured in the discussions of the Development Council, even as it did at the 22nd meeting of the Indian Central Sugarcane Committee at Dalmianagar towards the end of December, 1956. Referring to the need for undertaking soil survey work, Mr. Puri drew pointed attention to the work done in this behalf by the trained staff of the Indian Institute of Sugarcane Research, Lucknow and commended the utilisation of their services to sugar factories.

PROGRESS IN RAIL TRANSPORTATION

THE GENERAL Managers of Railways who meet periodically to take stock of the situation had a reassuring report of progress to tender at their conference held here last week-end. The detailed review of transport position on individual railways revealed that measures for improving operating efficiency were achieving success gradually. Scientific loading of wagons was being introduced at points of high traffic density and better loads per wagons were being secured. Open wagons now being used more intensively with tarpaulins for larger volumes of goods were adding to available capacity, steps were being taken to ensure maximum loads on trains, the period of detention in workshops for repairs was being systematically reduced and working efficiency of wagon chasing organisations was being raised. While these general assurances of improvement in load carriage and capacity are encouraging in themselves, statistical measurement of performance would have helped to give a tangible idea of progress actually recorded. Sustained strides in operating efficiency is an integral part of the drive for securing larger transport capacity and it is to be trusted that additional measures of qualitative improvement will be put through when the report of the American team of experts is made available.

This progress, however, is capable of bringing only a modest addition to transport capacity. The review made by the General Managers discloses that handicaps in physical resources are proving difficult to be removed. Steel, especially, is in short supply. It would appear that proposals to expedite imported supplies of cheap steel which were explained last year to the Estimates Committee have not been implemented. In consequence, a number of expansion projects were being delayed. It is rather disturbing that this stalemate is arising at a time when a general feeling prevails that the programme of imports of steel has been accelerated somewhat with impatience without

full regard to its inflationary effects. Delays caused by dilatory procedure for indenting of stores and devices to use substitutes for materials in short supply are of secondary importance. The hard core of the present difficulties cannot be resolved by palliatives. The process of setting up planning cells in each railway right up to the divisional level is under way. This is indeed a step in the proper direction. Assuming that these cells function with alertness and keep the Railway Board continuously posted with periodical progress, the Railway Board will find its hands strengthened in the fight for resources which it will inevitably have to wage ceaselessly in the second Plan period.

STEPPING UP JUTE PRODUCTION

THE PLANNING COMMISSION envisaged a target of 5 million bales by 1960-61 for raw jute which represented an increase of about 25 per cent over the estimated production of 4.1 million bales in 1955-56. But after the conference of States Ministers of Agriculture at Mussoorie, and subsequent discussions of the Planning Commission with the States, revised targets were arrived at for agricultural production and consequently the target for jute was raised to 5.5 million bales. The estimated requirements of the industry are 7.2 million bales and so even with the increased target, it is obvious that self-sufficiency is not obtainable. The Jute Enquiry Commission stated that the objective of the 'grow more jute' campaign should be attainment of relative rather than absolute self-sufficiency and that the shift in emphasis should be towards intensive cultivation rather than cultivation on a widely dispersed basis.

The position of the jute industry in this country is rather vulnerable, thanks to the competition of Pakistan and countries like Egypt, Iraq, Iran and Burma, which have established small local units, which may affect India's exports. There is hence need for increasing her competitive capacity by modernisation programme and less dependence on imports. On the other hand, there has been a significant rise in internal consumption of jute goods consequent on the higher level of agricultural production and the larger output of sugar, cement and other products.

In view of these, it is, therefore, only proper that the recent conference held at New Delhi on promotion of jute production, should reiterate the revised target and bestow attention on the various measures necessary for the promotion of jute production. These include improved strains of seeds, better cultural practices, line-sowing by seed drills, inter-culture by wheel hoes and judicious application of fertilisers. Dr. Punjab Rao Deshmukh referred to the fact that in China, 150 lbs. of ammonium sulphate and 100 lbs. of super phosphate per acre was the minimum quantity which a cultivator wanting to have a good jute crop used. The Conference, therefore, decided that 50 per cent of the area under jute should be fertilised by the end of the second Plan period. It was also a timely move to have decided to appoint a whole-time co-ordinating officer who will co-ordinate the requirements of each State and assist them in their planning in respect of improved seeds, seed drills, and wheel hoes, manures and fertilisers and plant protection equipment. It is right that the Government's policy on raw jute is placing greater emphasis on quality and intensive cultivation which is what the Enquiry Commission recommended as a priority objective.

FILLIP TO SMALL INDUSTRIES

THE DELIBERATIONS of the Small-Scale Industries Board at Madras last week brought to focus a major defect in the development of small-scale industries, namely, the inadequacy of the field staff at the execution stage. The Chairman of the Board drew attention to the fact that though the Central Government had offered to meet 50 per cent of the expenditure on account of the additional staff appointed by the State Governments, the progress achieved in this direction in most of the States had not been "very encouraging". Progress in the starting of institutes for small scale industries, branches and extension centres had also been rather slow again due to a lack of technical staff. Another difficulty has been the delay in getting the equipment and machinery required for these centres. Added to this is the fact, which the Chairman himself admitted, that the progress of the schemes for small-scale industries in certain States "has not been very heartening."

All these must make one sit up and shed some of the complacency that seems to govern the approach towards small-scale industries development. The second Plan has assigned a 'strategic' place for the small industries not only with a view to providing opportunities for greater employment, but for meeting the rising demand for consumer goods so that the scarce resources of foreign exchange and essential materials may be concentrated on the stepping up of expansion of heavy industries. But great caution is necessary in switching on to a new pattern in the production of consumer goods which will throw up a number of problems hardly thought of adequately before. This not only relates to trained personnel and supply of tools and implements, but a host of others like provision of credit, marketing, facilities for research and so on. The greatest handicap is in the matter of finance where it is necessary to make loans available on a long-term basis and at a low rate of interest. Suitable help must also be given in the matter of procurement of raw materials. It is, however, gratifying to note that the National Council of Applied Economic Research has undertaken a planned research study on marketing. While some of the Government's efforts in the direction of encouraging small industries are commendable (as for example, the proposal to have by the next financial year one major institute for small industries in each State) it is necessary to utter a note of caution that any hasty move towards decentralisation as an ideology without the proper equipment to tackle the various problems that would crop up may cause a setback which would result in shortage of consumer goods and high prices. There is hence need for considerable vigilance and less haste in this sphere so that sentiment may not outrun realism.

BICYCLE INUDSTRY MAKES STRIDES

THE INDIGENOUS bicycle industry has done remarkably well during the period of the first Five-Year Plan. It was visualised by the Planning Commission that by the end of the first Plan the rated capacity and the actual production of the bicycle industry would increase to 530,000 numbers as against a capacity of 120,000 and a production of 101,136 cycles in 1950-51. Actually the targets have been far exceeded. The production of bicycles in 1956 is now estimated at over 6,15,000 as against 491,000 in 1955 and 3,72,000 in 1954 and these figures do not include the production of the small scale sector. In 1951 there were only two units engaged in the manufacture of bicycles, but now there are 63 large and small factories. Of these 16 are in the Punjab, 13 in Delhi, 8 in Bombay, 7 in U.P., 6 in West Bengal, 5 in Madhya Pradesh, 4 in Rajasthan, 2 in Madras and one in Bihar. The industry has now stabilised itself to a degree, where given favourable circumstances to function and expand, it will not only be in a position to meet fully the requirements of the expanding economy of the country but even to contribute towards exports.

COMPANY AFFAIRS

THE INDIAN CABLE CO., LTD.

The results of the Company's trading during the year ended March, 1956, are satisfactory. The net profit (before providing for taxation) for the year amounts to Rs. 1,21,59,493, which is Rs. 44 lakhs more than that of the previous year. This has been attributed mainly to an increase in the sales of the order of more than 23 per cent. Of the profit for the year, Rs. 68 lakhs is absorbed by taxation and Rs. 10 lakhs have been transferred to Basic Stock Reserve. The continued rise in replacement costs of plant and machinery has prompted the Directors to create a reserve on this account and an appropriation of Rs. 5 lakhs has been made for the purpose. An amount of Rs. 7,16,495 has also been provided for Employees' Retiring Gratuities. In view of the expansion in production and consequently increased volume of business, the Directors have added Rs. 3.50 lakhs to the Reserve for Bad and Doubtful Debts.

As a result of increased profits for the year, the Directors have recommended a dividend of 12½ per cent and a cash bonus of 2½ per cent, free of income-tax. The unappropriated balance of profit, after deducting the proposed distribution for the year under review, amounts to Rs. 3,05,752. Adding to this the balance brought forward from the previous year of Rs. 28,98,462, it totals Rs. 32,04,214. This amount is to be carried forward. The most prominent features in the balance sheet are the increase in the values of Fixed Assets as a result of factory expansion, in Book Debts as a result of increased turnover and in the value of Factory Stocks which have had to be maintained at a higher level because of the increase in production.

There were no serious shortages of raw material, but considerable difficulties were experienced with supplies or coal and the congestion in the docks and restriction of rail movement created difficulties in maintaining a continuous flow of raw material to the factory. There was wide fluctuation in the price of copper which touched the peak figure of £438 a ton as against £328 which was the average L.M.E. settlement rate for April 1955. The taking over on January 1, 1956, from British Insulated Callender's Cables Ltd., of their entire selling and engineering organisation constituted an outstanding change in the activities of the Company. Also, satisfactory progress is being maintained in the scheme of expansion on which the Company has embarked. The Rod Rolling Mill, P.V.C. Insulated Cable plant, Rubber Cable factory, production of Paper Insulated wires and strips for transformer windings, manufacture of fully synthetic copper wires with a vinyl acetyl base, etc., all these have either commenced production or are in various stages of development.

McLEOD & CO., LTD.

The Company's accounts for 1955, which are now available, show that the profit for the year has registered a substantial improvement by comparison with that for 1954, due chiefly to improved results from Engineering department and an increase in dividend income. Revenue from the Jute, Tea, and Insurance departments was lower than for the previous twelve months and the shipping department figures were again disappointing. The Agency department shows a loss for the year.

The profit for the year amounts to Rs. 31,89,815 and adding the previous year's balance, etc., it amounts to Rs. 33,79,734. Out of this, the Directors have made a provision for taxation amounting to Rs. 10 lakhs and have set aside Rs. 3.50 lakhs for general reserve, Rs. 3.35 lakhs for investment reserve and Rs. 2 lakhs for convertible notes redemption reserve. From the balance of Rs. 14,94,734 are to be deducted two interim dividends for the year on 10,000, 5 per cent cumulative first preference and 40,000, 5 per cent cumulative second preference shares totalling Rs. 2.50 lakhs, leaving a balance of Rs. 12,44,734. From this, the Directors have recommended payment of dividend at 22½ per cent per annum on 40,000 ordinary shares (or Rs. 22-8 per share) absorbing Rs. 9 lakhs, and 17½ per cent dividend on 50,000 deferred ordinary shares (or Rs. 1-12 per share) for the year, absorbing Rs. 87,500. The balance of Rs. 2,57,234 is to be carried forward.

THE BANK OF INDIA LTD.

The profit of the Bank for the year ended December, 1956, after making the usual provisions for contingencies (subject to audit) amounts to Rs. 1,05,029,924, which includes Rs. 13,26,630 being the amount brought forward from the previous year's account. Out of this amount, provision for income-tax and super-tax has been made at Rs. 28 lakhs. An interim dividend at the rate of 6 per cent, free of income-tax, for the half-year ended June 30, 1956, absorbed Rs. 15 lakhs. That leaves a balance of Rs. 62,29,924 available for distribution.

The Directors have proposed to pay a final dividend at the rate of 10 per cent, also free of income-tax, making 16 per cent for the year, which will absorb Rs. 25 lakhs. A sum of Rs. 8 lakhs has been placed to the Bank's Reserve Fund. There thus remains a balance of Rs. 29,29,924 which has been recommended to be carried forward subject to the payment of a bonus to the staff.

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COMMODITY NEWS AND NOTES

RAW COTTON IMPORTS

It has been decided to continue to issue licences for imports of raw cotton stapling 1-3 16 inches and above from soft currency areas, during the current licensing period according to an announcement of the Joint Controller of Imports in Bombay. Licensing will be done on "first come first served" basis within a limited ceiling, the announcement added.

COAL RAISINGS AND DISPATCHES RISE

The raisings of coal from all fields in India during November 1956 rose sharply to 3,324,817 tons from the low level of 3,189,299 tons in the previous month. Total despatches from all mines also improved from 2,931,116 tons in October to 3,028,160 tons during the month under review. Total output of coal in the first 11 months period 1956 was placed at 35,640,000 tons compared with 34,810,000 tons in the same period of the previous year. The despatches were also higher at 31,910,000 tons compared with 30,120,000 tons in the 11 months ended November 1955.

EXPORT OF MILL MOLASSES

Export of mill molasses will continue to be licensed freely to all permissible destinations excluding Portuguese possessions in India against the unutilised portion of free quotas released previously. A press note issued by the Joint Chief Controller in this connection says that licensing will be done up to the end of December 1957 or until the ceiling is exhausted whichever is earlier.

INDIA GETS MORE CLOTH FROM UK

Exports of British cotton piecegoods to India, Pakistan and Ceylon rose last year compared with the two previous years, according to Mr. Frank S. Winterbottom, Chairman of the Indian Section of the Manchester Chamber of Commerce. He said exports to India expanded by 3,600,000 yards and to Pakistan by 3,300,000 yards. The trade with Ceylone rose by 300,000 yards.

PENICILLIN IMPORTS RISE

The value of penicillin and its products imported into India recorded a sharp increase from Rs. 9,400,000 in the first seven months of 1955-56 to Rs. 11,300,000 in the corresponding period of current fiscal year, according to official figures. The value of these imports in the whole of 1955-56 was Rs. 17,900,000 against Rs. 14,700,000 in 1954-55.

RISING DEMAND FOR ELECTRIC FANS

The demand for electric fans in India is steadily increasing. In 1956, the production of electric fans is estimated to have risen to 337,000 from 282,000 in 1955, 236,000 in 1954 and 206,000 in 1953. The industry is mainly concentrated in West Bengal. Of 19 organised units in the industry, 11 are located in this State, four in Bombay, three in Delhi and one in Uttar Pradesh.

RISE IN TEA EXPORTS

Tea shipments from major producing countries, India, Pakistan, Ceylon and Indonesia, in the first nine months of 1956 were higher at 681,720,000 lbs. compared with 566,110,000 lbs. in the same period of the previous year. Of the increase of 117,610,000 lbs. in shipments, more than 100,000,000 lbs. were absorbed by the UK which took 373,890,000 lbs. in the nine months ended September 1956 compared with 272,980,000 lbs. in the corresponding period of 1955. On the supply side, an increase of more than 100,000,000 lbs. was recorded by India alone, total shipments rising from 250,510,000 lbs. in the first nine months of 1955 to 350,950,000 lbs. during the period under review.

MANGANESE ORE EXPORTS DECLINE

At the prevailing high rates, Indian manganese ore is being priced out of the world market, it is learnt. The average export-price of manganese ore in October 1956 was Rs. 200 per ton compared with Rs. 115 in the corresponding month of the previous year. Total shipments of manganese ore from India during the seven months ended October 1956, however, were lower at 359,349 tons compared with 812,906 tons in the same period of the previous year.

CAR OUTPUT IN CANADA

Canada produced a near record number of cars in 1956 and the outlook for the industry is regarded as favourable. The year's total of 472,703 cars and lorries was second only to 1953 aggregate of 481,000 units. Sales for 1956 are estimated at nearly 500,000 cars and trucks with a total retail value of $1,400 million.

CHILE COPPER OUTPUT UP

Copper production in Chile for the year 1956 increased to 443,166 metric tons from the previous year's 390,942 tons. It is expected that the 1957 total could be 500,000 tons or more if no adverse price factors supervene.

US RUBBER ESTIMATE

The US rubber industry should make record sales of $6,000 million in 1957 and reach an annual rate of $7,000 million by 1960, Mr. H. E. Humphreys, President of the US Rubber Company, forecasts. "Passenger car and truck tyre sales will total about 100 million units, compared with an estimated 98 million units for 1956" he predicts.

WORLD OUTPUT OF TIN METAL LOWER

World production of tin metal during October fell 800 tons to 15,200 tons. But consumption in the two main consuming countries, the UK and the US increased during the month, according to figures published by the International Tin Study group. The decrease in tin metal output occurred mainly in the three largest smelting countries, Malaya, Netherlands and the UK.

RECORD OUTPUT OF UK WORSTED YARN

UK deliveries of worsted yarns during last November were at the highest rate since the war. Most other sections of the wool textile industry were also more active during that month according to figures released by the Wool Industry Bureau of Statistics. The rate of delivery of worsted yarns rose by 3 per cent during the month to reach a post-war peak. The previous peak, November 1955, was exceeded by 2½ per cent.

DECLINE IN US CRUDE OIL STOCKS

US stocks of domestic and foreign crude petroleum continue to decline. At the close of the week ended January 5, stocks totalled 259,983,000 barrels compared with 264,241,000 for the preceding week and 260,098,000 barrels for the same period last year. Domestic supplies totalled 248,362,000 barrels down 3,711,000 barrels from the previous week—and foreign supplies dropped 547,000 barrels to 11,621,000 barrels.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
April 1956 ..	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	85.3	125.2
August ,, c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387 9	585.2	417 8	90.4	100.3	82.7	124.9
November ,, c ..	411.2	513 9	416 2	389 9	588.8	427.5	90.1	100.2	82.0	122.9
Week Ending										
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	520.7	419.4	386.3	586.6	433.2	89.9	100.1	81.2	122.4
1-12-1956 ..	422·6	514·2	420.4	386.4	590.5	431.5	89.9	100.1	81.0	121.4
8-12-1956 ..	419.1	510.8	418.6	386.1	591.7	429.4	89.8	100.1	80.9	118.7
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	86.9	117 0
22-12-1956 ..	416.7	522.3	416.3	388·6	590.6	430.7	89.7	100.0	80·5	115 2

Revised*

* Average of weeks.

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	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	133
1955 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
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	148
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											
	11-1-1956			4-1-1956			28-12-1956			21-12-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	105-14	104- 2	104-12	104-15	103-14	104- 5	105- 5	103- 3	104-11	105- 8	104- 3	104-14
Silver (per 100 fine tolas)	180- 6	175- 4	177- 8	175- 1	173- 7	174-15	174-12	172-14	174- 0	174-13	173- 0	173-10

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes held in Banking Department	Total Notes issued	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	265,62n	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,111,84	27,87	1,142,72	40,02	564,40	604,02	52.88	80,22	8,98	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,69	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
February 1956 ..	1,402,42	9 14	1,411,55	40,02	663,41	703,43	49.83	104,90	603,24	1,411,56
March „ ..	1,446,41	11,12	1,457,53	40,02	676,87	716,89	49.19	103,18	637,4	1,457,53
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 „ ..	1,516,79	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September „ ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453 43
October „ ..	1 429,31	21,34	1,450 65	40,02	531 85	571,87	39.42	120,18	700,30	1 450,6
November	1 443 67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,1
Week Ending										
23-11-1956 ..	1,439,81	23,19	1,462,79	117,76	457,24	575,00	39.2	122,32	765,47	1,462,79
30-11-1956 ..	1,438,54	27,20	1,465,74	117,76	457,24	575,00	39.3	125,27	765,47	1,465,24
7-12-1956 ..	1,464,08	9,71	1,473,79	117,76	447,30	465,06	38.2	123,38	785,35	1,743,5
14-12-1956 ..	1,466,86	6,82	1,473,68	117,76	447,30	465,06	38.2	123,27	385,35	1,743,68

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	9
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	4,8
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	4,1
	(14,33)	(3,94)									(1)			
1949-50* ..	141,19	23,12	87,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,3
1950-51* ..	148,60	17,71	62,22	62,29	290,82	8,14	318,97	17,31	3,04	107,70	2 37	6,77	76,72	5,0
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	11,8
1952-53* ..	136,40	7,79	52,89	61 93	259,02	33,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,8
1953-54* ..	105,44	23,40	46,52	57,45	232,80	33,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,6
1954-55* ..	89,13	20,66	65,20	36,29	201,28	33,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9 8
1955-56* ..	60,11	19,85	53,77	18,31	152,04	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,6
Average of Fridays														
February 1956 ..	61 72	13,65	56,38	15,85	147,60	59,59	206,59	9,27	3,58	72,81	3,41	53,41	40,70	14,40
March „ ..	57 91	37,22	49,25	16,93	161,31	58,99	220,30	11,26	9,53	65,30	1,56	3,88	41,44	17
April „ ..	56 21	30,15	52,14	17,16	155,66	58,82	214,48	16,12	13,35	54,43	1,34	65,52	45,55	18
May „ ..	61 44	10 27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18
June „ ..	56,13	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,93	31,55	3,95	73,97	37,76	18
July „ ..	66 46	8,08	52,39	12,29	139,14	57,81	196,96	27 03	5,19	43,55	4,02	63,43	45,80	7,9
August „ ..	59 23	5 89	52,88	12,16	130,15	44,03	184,18	2	2	31,39	7,03	57,43	49,84	8
September „ ..	67,77	19 82	53,77	14,67	156,02	50,76	206,79	28		30,52	4,02	82	44,68	
October „ ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	2				87, 0	48,05	
November	54,25	21,62	52,73	13,24	141,84	148,00	281,83	16,92			1,42	86, 8	67,53	
Week Ending														
23-11-1956 ..	54,69	12,72	52,04	13,66	133,12	128,78	271,89	23,40	5,33	84,63	1,80	83,48	61,13	12,1
30-11-1956 ..	49,99	15,94	51,07	13,37	130,37	130,88	271,24	27,43	7,09	79,29	2,96	80,84	59,61	14,02
7-12-1956 ..	52,36	14,04	51,46	14,17	132,03	131,36	273,39	9,80	8,55	91,01	5,20	84,57	60,19	14,03
14-12-1956 ..	51,69	11,20	54,26	13,62	130,77	134,46	275,22	6,98	10,53	85,63	8,09	89,44	60,53	14,03

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	303,43
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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
March 1956 ..	621,65	415,50	1,037,15	34,83	48,94	8.08	589,81	146,22†	70.97	364,77
April „ ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150 94†	70.42	356,77
May „ ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June „ ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July „ ..	638,93	455,95	1,094,88	37,76	49,78	8 00	603,68	143 96†	68.29	349,44
August „ ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September „ ..	636,97	459,64	1,096,61	36,01	50.61	7.90	612,96	143 13†	68.95	372,06
October „ ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
7-12-1956 ..	646,80	461,69	1,095,07	36,65	49,92	7.91	599,81	172,18†	70.50	365,55
14-12-1956 ..	655,67	459,71	1,101,26	36,18	50.88	7.91	605,50	171,70†	70.57	365,33
21-12-1956 ..	646,72	459,86	1,094,29	35,29	50,78	7.87	618,76	165,05†	71.63	364,83
28-12-1956 ..	654,19	459,50	1,101,75	38,33	52,66	8.26	622,91	165,55†	71.56	364,75

• 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	1,505,09*	679,23	667,22	12,01	+263,69
ober 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
mber „ ..	2,002,46	1,351,24	651,21	640,40	10,81	+24,22
ber „ ..	2,047,15	1,385,87	661,28	650,14	11,14	+44,69
ary 1956 ..	2,094,21	1,407,67	686,55	674,12	12,43	+47,06
uary „ ..	2,108,0	1,435,69	673,28	661,97	11,31	+14,76
1 ..	2,184	1,505,09	679,23	667,22	12,01	+75,35
..		1,538,18	689,93	677,43	12,50	+43,79
..	nations on	1,539,66	686,31	675,69	10,61	—2,14
..		1,504,48	684,65	673,49	11,16	—36,84
„ ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
st „ ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
ember „ ..	2,108,13*	1,435,69*	672,44*	661,90*	10,54	—26,79*
tober „ ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
ovember „ ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

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

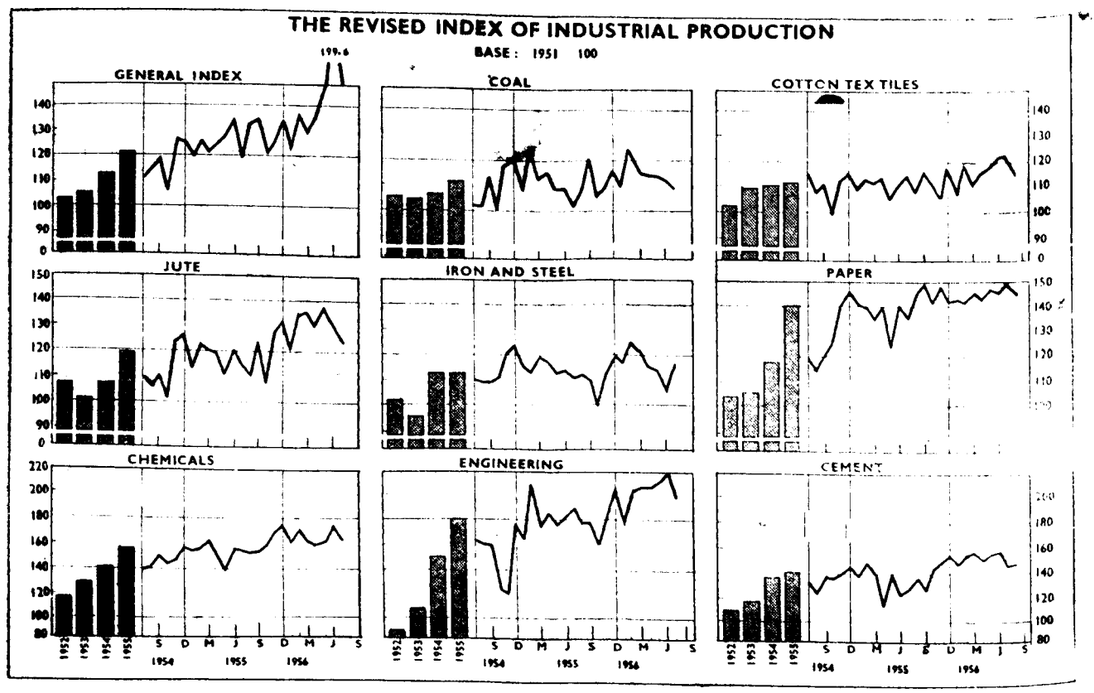
Source: Monthly Bulletin of Reserve Bank.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal	Cotton Textils			Jute	Chemicals	Cement	Iron and Steel	Gen.* Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ..	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.8
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	102.0	127.0
1955 ..	122.1	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	105.2	131.2
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	105.6	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	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	101.1	111.6	156.6	137.6	112 0	179.3	146.2	412.4	104.6	141.9
September ..	134.2	119.7	115.4	121.5	112.3	123.7	165.3	129.3	110.1	181.0	149.7	319.3	106.4	148.9
October ..	121.9	105.9	112.8	118.8	109.7	107.8	160.6	144.2	100.3	160.7	142.1	210.7	103.4	144.5
November ..	126.1	109.8	107.9	114.9	104.4	128.2	170.9	151.2	113 3	182.8	147.7	213.2	117.0	150.3
December ..	132.7	116.2	120.7	126.0	118.0	132.5	174.4	155.9	119.5	205.3	142.3	160.0	108.4	157.6
January 1956	122.9	110.0	107.7	112.4	105.4	121.2	164.3	148.2	116.7	179.3	142.9	133.2	115.2	152.3
February ..	134.2	123.5	118.9	123.3	116.7	135.2	173.0	155 7	125.0	204.0	141.7	127.2	122.8	161.2
March ..	128.6	115.7	111.0	115.2	108.9	135.6	163.9	159.1	121.5	206.5	144.9	151.3	97.0	160.9
April ..	134.7	114.6	115.2	118.6	113.5	132.3	165.2	150.8	116.6	206.3	143.4	294.3	84.0	162.3
May ..	161.0	114.1	118.6	118.1	118.8	138.6	162.0	154.4	108.7	212.7	147.4	601.3	111.4	166.1
June ..	199.6	113.6	121.7	123.7	120.7	139.7	174.0	158.4	105 1	220.1	145.5	1,604.4	115.8	165.5
July ..	152.6	108.9	122.3	126.2	120.3	129.4	166.4	146.1	116.4	219.9	149.9	590.2	123.8	160.5
August ..	132.7	113.8	114.9	120.7	112.0	123.7	167.5	146.8	117.7	226.8	145.5	194.8	115.0	159.6
September ..	..	111.1	125.8	130.5	123.4	120.9	..	152.8	..	..	149.1	353.4	112.2	..

* General Engineering including Electrical Engineering. **Source:** Directorate of Industrial Statistics, Calcutta.



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SECRETARIAT LIBRARY GOVERNMENT OF MADRAS 1957

The Eastern Economist

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Republic Day 1957

REPUBLIC Day should be a day of reckoning as well as a day of rejoicing. It is right that there should be imported into the reckoning a prospect of the future; for nations endure, not for seven years, or even for seventy, but for seventy times seven. It should matter little to those of our generation who are spending themselves in the building of a new India that the reward for their efforts will be found in the lives of many generations to come. For that, indeed, is the meaning of dedication; and, as Mahatma Gandhi showed, it is only out of [illegible]on that there comes life and life more [illegible].

It matters [illegible] of too much, that there are many flaws [illegible] with some outstanding successes since the Co[illegible] was ushered in on the 26th January, 1950. It is right that we should look critically upon the flaws as well as with pride, and humility before God, on our successes. It is not right, however, that we should be cast down by our failures or so elevated by our successes that we are unable to recognise that the major tests of the

Indian Union are still to come. In these brief seven years since the Constitution came into force, we have had only a preliminary canter. The race is still to be run.

No one need assert that the international problems of the Indian Union are nearer solution on this Republic Day. The discussion on Kashmir in the Security Council is bound to raise the question whether our status in the counsels of the world is as high as current Indian opinion too readily believes. Prestige is a dangerous word. It comes and goes with the wind, and it may well be that the courting of other nations — which has been spasmodically and inconsistently done — will need over the next twenty years to receive far more sustained attention than a heavily over-worked Prime Minister and an understaffed Ministry of External Affairs has hitherto been able to give. One can look upon our international course with moderate satisfaction, but with no conviction that our present views are necessarily in the national interest. The Kashmir debate seems to indicate that what we have won on the swings may well have been lost on the roundabouts.

Again, just as Kashmir highlights the extent to which Indian political views are called in question abroad, the orders recently issued in regard to restrictions of imports and utilisation of foreign exchange should have a disturbing effect within. There is no doubt that the recent management of our economic affairs has not been conspicuously successful. Many gaps needed to be filled before a large-scale steel import programme was initiated; the process of correction is likely to be a difficult one even if the World Bank, which has been unduly hesitant in according to India its proper place in loans for economic development, had played a proper and prompter role. It may be that the error in this respect is not entirely with us, but the fact remains that a foreign exchange crisis has been imposed on the Indian Union at an early stage of the Plan. The Government of India cannot be held solely responsible for this course of haste, which represents a true imperative in the minds of the Indian people. If the Indian people ardently desire a rate of economic development which they cannot afford — either because of the shortage of foreign exchange or of the inflationary impact within — they must be willing to pay the prices, and to arrange corrective action in their own lives. Almost certainly the only answer is harder work and greater production of consumer goods. And there is really no answer to our foreign exchange problem in the longer period except production at a significantly lower cost so as to expand our exports. In the shorter period, we will need to be a little more zealous in finding helpful friends abroad. At the present time, both our short and long-period policies are inadequate. If we cannot, over the next twelve months, make a substantial advance on exports, an important programme to sustain total development expenditure in 1957 in all of Rs. 900 crores, bravely planned, will not come into effect. The consequences of this set-back are difficult to estimate.

In the twelve months preceding this Republic Day the country has passed with eclat from the first Five-Year Plan to the second. Although the second Plan got off to a good start from April last, the nine months that followed saw more than one crisis with a direct or indirect impact on the working of the Plan itself. The clouds that gathered over Suez and the blockage of the Canal had (and continue to have) their serious repercussions on this country's foreign trade. The foreign exchange gap widened and the Rs. 200 crores of our sterling balances earmarked for withdrawal over the second five-year period were largely drawn down by December last. The general index of wholesale prices rose sharply from 376 in January 1956, to 428 in December last, and the cost of living index (base: 1949=100) from 97 in January 1956 to 110 in November last. The General Index of Variable Dividend Industrial Securities registered a steep fall from 129 in September last to 113 in January this year.

But these adverse trends may be taken as having been offset, to some extent, by rising industrial production in the past year. The average rate of industrial advance might be reckoned at about 10 per cent per annum against 8 per cent in 1955. The General Index of Agricultural Production, on the other hand, did not record any rise from the 1954-55 figure of 122; it was, however, redeeming that it stood at 120 in 1955-56 which meant that the country had a good agricultural season for the third year in succession. By and large, the tempo of development expenditure created its own opportunities in some directions and its own problems in others.

Thus it is that there are disquieting features both in the political and economic fields. Too little is known of the technical character of our difficulties, whether in international events or in economic affairs, for the great mass of the people who are to cast their votes in the coming elections to judge issues such as these. But there is already a restlessness in the air. The elections themselves present a large domestic problem, for it is clear that the Congress Party, whose prestige seemed to be at its height a year ago, is being called seriously into question in many States of the Indian Union. What might be worse is that those who have seen the giving of tickets in operation for the last three weeks from the Congress High Command's centre of authority in Jantar Mantar Road, New Delhi, have felt a sickening of heart of what must be least edifying spectacles in the history of this organisation. Men and women of the Congress Party have shown a degree of subservience, jealousy and pettiness which seems very foreign to the Congress heritage and the great Gandhian Age.

It would be a mistake, however, because of reverses such as these, to take a bleak view of the future of this great country. It has shown down the years the capacity, when many individuals have failed, to rise in a grand impersonal way above the lowest common denominator of seekers of power. In the Gandhian Age, it was this tremendous impersonal performance of the Indian people which bore the moral stamp of the country to a victorious conclusion. There is time, and there is opportunity, for a great new age of dedication to overtake what is small and petty and mistaken in the Indian scene. There is potential leadership too. One may hope that with the desperate need of the hour, there will also come the men who can give feeling to this amorphous mass of goodness, which came to life so vividly in our great Gandhian Age.

A Voluntary Code

FREE enterprise in India has now awakened to the realisation that its case stands threatened by default if it fails to cultivate informed public opinion on its legitimate place in the economy. In the post-independence period, and most significantly since Avadi, the popular attitude reflected in political speeches has tended to look upon the efforts of business men with a mixture of cynicism and distrust. The fact that the private sector has delivered the goods in production while the public sector has lagged is often forgotten. In India, as in many other democratic countries, free enterprise has been the major force behind the dynamism in the national economy. It is paradoxical that its contribution in the past as well as in the present should be overlooked so easily and its absolute value to the growth of a free society should be ignored. The paradox springs from a misconceived notion of the role of the State in economic activity and an erroneous assumption of the incompatibility of private enterprise with a welfare society which is accepted in this country as the goal to be achieved.

The socialist order of society often continues to be identified in the popular mind with nationalisation of the means of production, notwithstanding the fact that the political and economic context in which nationalisation came to be regarded as an indispensable condition of the achievement of socialism, according to its protagonists, has now lost its relevance. Nationalisation was advocated as the only effective means to ensure social justice. This reasoning may have carried some force when equitable distribution of wealth, elimination of unjustifiable disparities in income, provision of conditions of work consistent with normal standards of human dignity and similar purposes could not be secured except by ownership of the instruments of production in the hands of the State. But in democratically governed countries where the will of the people can be made supreme these objectives can be attained by legislation.

This is not a matter of mere alternatives: it is now tested by experience. Nationalisation in operation has demonstrated all the weaknesses which retard progress in industry — lack of initiative, flexibility, capacity for quick decision and, above all, readiness to bear risk. The conviction that nationalisation is the core of a socialist society is being abandoned and socialist thinking as well as practice are veering round to the view that it is by no means an indispensable ingredient. This spectacular philosophic change has followed the experiment of nationalisation in the United Kingdom and elsewhere. In India too, where Parliament, elected on adult franchise, wields sovereign power, fiscal and industrial legislation of a regulatory nature can secure the desired ends. The industrial policy statement and the Prime Minister's numerous pronouncements in recent weeks now give an assurance that the approach to socialism will be pragmatic; but this is pragmatism with a strong bias.

The Forum of Free Enterprise which appeared on the Indian scene six months ago has taken upon itself the task of interpreting the essentials of free enterprise in the prevailing mood of the community which renders it none too easy. Since its manifesto was released in mid-July last it has done valuable service to the nation by explaining the creed of enlightened private enterprise in New India. Free enterprise as voiced through the Forum holds that democracy is an integral part of the Indian way of life and that free enterprise is an inseparable part of democracy. Free enterprise, therefore, has a place in Indian life by its own right and not on grounds of expediency. Free enterprise accepts planned development of the economy which, in unequivocal terms, means that it willingly accepts all reasonable regulation of its activity to fit into the broad frame-work of development plans from time to time. It believes in social justice and equality of opportunity. It thus becomes by its own choice an enlightened instrument willing to contribute its mite to the progress of the community. It can, as in the United States, attain the welfare State.

The Forum is not unaware of the existence in the ranks of free enterprise of anti-social elements. These constitute but a part. Although the popular tendency to decry the entire free enterprise for the misdeeds of a few is to be deprecated, the Forum takes the correct attitude that a campaign of reform from within must be instituted with vigour and drive. It is easy to argue that a decline in ethical standards is a universal phenomenon in the post-war era, but the Forum desists from a course of extenuation. It is proper that Indian free enterprise should adopt this introspective attitude and respond to the Forum's call for standards and dedication. The call comes in the form of a Code of Conduct for Free Enterprise which it has issued with an appeal to the business community to rise to the occasion. It is hoped that there will be a good response.

The Code enjoins on each wing of free enterprise obligations appropriate to its role. It calls upon producers and distributors to pay scrupulous attention to the maintenance of standards of highest quality and to charge reasonable prices. It appeals to employers to adopt a policy of fair wages, procedures for removal of legitimate grievances to ensure fair deal to workers and joint consultation as well as labour's progressive association with management to promote productivity. It enjoins on the management the duties of ensuring fair return to the investor and efficient discharge of its functions as a custodian of company reserves. It must redeem its reputation as a class by curing itself of the malpractices which have eaten into vitals, but in laying this obligation the Code issues an indisputable reminder that honest business practices can be promoted in a democratic State by an honest and efficient administration. It urges professional men to uphold the highest standards and traditions in the discharge of their duties. Finally, it condemns tax evasion and exhorts every member of the business community to bear his share of taxes honestly.

This is a good first effort to sustain an internal movement of moral reform. Legislation can never be an adequate and effective substitute for it. Here is an opportunity and a challenge. Freedom of enterprise is one of the most vital freedoms in a democracy. Let free enterprise fight for the preservation of this freedom, but even more let it show that its performance matches its precepts.

India, Syria and the Middle East

THE visit to India of President Shukri Al-Kuwatly of Syria, the third by a leader of the Arab world in recent years, assumes more than ordinary significance because of the disquieting situation obtaining in the Middle East. It is rather strange that the joint statement issued by the President of Syria and the Prime Minister has not touched upon this problem directly. To be sure the statement re-affirms the Bandung principles, which as first principles are acme of good conduct of international affairs. But the statement completely ignores the special problems that have recently arisen in the Middle East and demand immediate attention. "A military approach to the problem of this area" will no doubt "only serve to create further disharmony and instability". But there seems no evidence in the statement of readiness to own responsibility for the nagging problems that call for immediate solution if the danger involved in reliance on military means alone is to be avoided.

Speaking at the civic reception held in his honour, President Kuwatly was more frank. He observed that the conception of "power vacuum" in the Middle East was a "fantastic proposition". To him it would thus seem no problem really exists in his or other Arab countries. While reciprocating the Syrian President's sentiments, Mr. Nehru asserted that the peoples of the Middle East should be allowed to fill the "power vacuum" by their own "inherent strength and power". The Prime Minister's view was therefore not quite the same as that of the honoured guest.

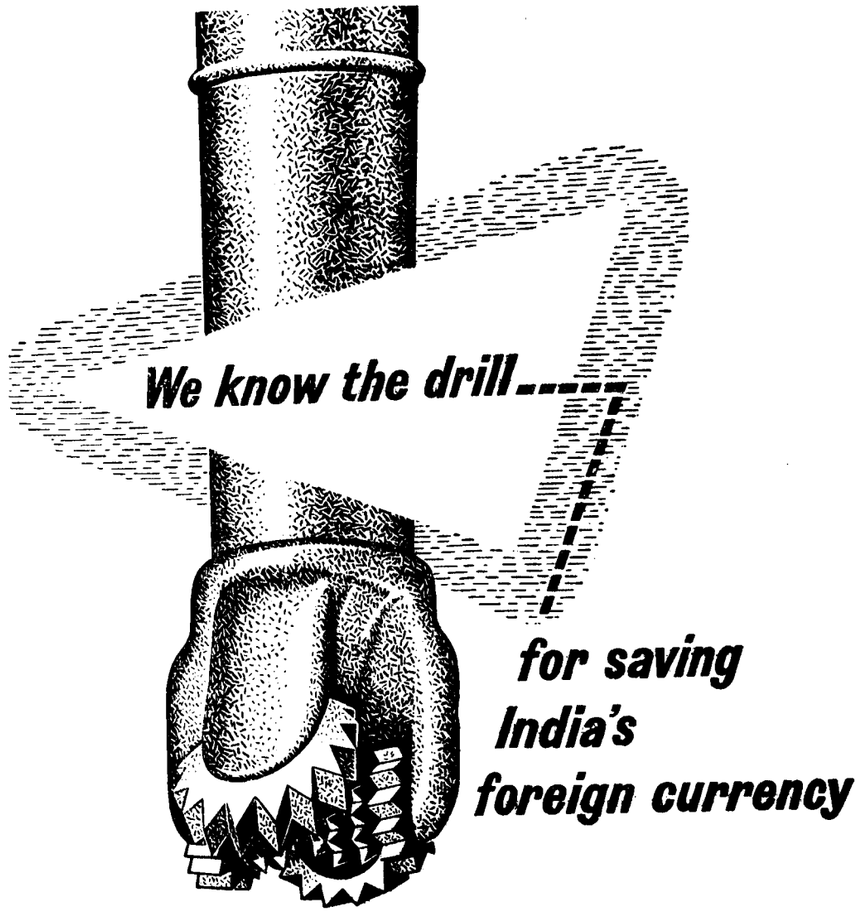
Doubtless, the problems of the Middle East could be ideally solved if the people of that area were really in a position to develop in accordance with their own genius and tradition. But, as the Syrian President himself admitted, even "Syria whose own sources for defence were not adequate, has naturally to look for help from other sources". So the question is not whether the "power vacuum" is to be filled by an outsider or the people themselves, but whether the latter could do so in their present state and in the circumstances now vitiated by the tremendous growth of influence of the Soviet Union. To assert that the problem does not exist or that it can be exclusively solved by the Arab countries themselves is to fly in the face of facts. The blunt truth is that if the Middle East countries were left entirely to their own resources, they may not long be left free.

Russia, which has always coveted influence in this area, has suddenly gained tremendous prestige as a result of the short-sighted and clumsy policy of Britain and France. The Kremlin rulers have already begun dangling economic aid before the people of the Middle East and profess support for Arab nationalism. And Europe has certainly a stake in what happens in the Middle East. Astride the Middle East, the Russians can not only strangle the economy of Western Europe by cutting off vital oil supplies, but can also dictate terms to nations this side of the Suez. Even otherwise, the Soviet ground, naval and air forces are already in close proximity to the Middle East. These forces are of the size, and are so located. that they could be employed for occupation at any time with a minimum of warning. This fact is nothing new; only it has assumed sinister significance as a result of the disappearance of the Anglo-French "protective shield". The closing of the Suez Canal has seriously affected the Egyptian economy; Syria is in no better shape because of the closure of the pipelines and the consequent stoppage of its royalties; Saudi Arabia's national finances are also in a mess due to the current sharp drop in oil royalties. The total effect of these political and economic factors, according to Dr. Charles Malik, Lebanon's Foreign Minister, is that "the position about the Communist infiltration has worsened in recent months."

It is primarily for this reason that the Eisenhower doctrine seems to have been conceived. Through it the United States has underwritten the continued freedom and economic well-being of these countries. The military protection offered is aimed not at dominating but defending the areas, as President Eisenhower has re-affirmed. Such measures "would have to be in consonance with the treaty obligations of the United States, including the United Nations Charter," and any United States action "would be subject to the over-riding authority of the Security Council". It would thus appear that the United States does not intend to supplant the United Nations or to overthrow sovereignty. As at present constituted, the United Nations cannot possibly perform certain functions. Its impotence was exposed on the question of Russian aggression in Hungary.

The Eisenhower Plan ought to deter the Soviet Union or, by implication, any other potentially aggressor country. Similar action by America as applied to Formosa and to Western Europe through NATO, has not been challenged. There is, however, no denying the fact which Mr.Gaitskell has explained that the Eisenhower plan does not deal with the root causes of the Middle East crisis — the Suez Canal question, the Arab-Israeli relations, and ever-present possibility of subversion by Communism. It were these running sores which gave Russia the chance to thrust its power and influence into the area.

The major weakness of the American approach to the Middle East problem is its failure to give due priority to the economic development of the area. The Prime Minister was unmistakably right when he pleaded for the formulation of economic measures of a helpful nature to eradicate those conditions which make Communism an attractive alternative. To be sure, Russia is not likely to precipitate a war for the domination of the area, knowing that this would mean global atomic war. In fact, it has already changed its strategy in deference to the atomic stalemate. Its policy is internal subversion through economic aid and political support to Arab and Asian nationalism. This is obvious from the fact that a total of 800 million dollars worth of credits on easy terms has been granted to nine countries since the "rouble offensive" was launched some two years ago. Perhaps, only a generous offer of economic aid without political strings can disarm the critics of the Eisenhower plan. If that aspect of the plan gets eclipsed by overmuch emphasis on its military aspect, the fears of the Afro-Asian peoples will be strengthened, and may thus open the flood-gates of Communist infiltration and subversion.



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FORUM OF FREE ENTERPRISE

CODE OF CONDUCT

This Code of Conduct for Free Enterprise has been prepared by the Forum of Free Enterprise and is now placed before industrialists, business men and those belonging to different professions and vocations in India in the belief that they will find it worthy of acceptance and of application in their daily activities. The Forum pledges itself to do all it can to create a widespread awareness in the ranks of Free Enterprise of the obligations that are contained in this Code. We feel that Free Enterprise, which has been tested and proved by time and experience of all democratic societies, should maintain its reputation by insisting on high standards of integrity which are dictated by social purpose. Honesty, hard work, courtesy and continuous initiative are the foundations on which the edifice of Free Enterprise rests.

PRODUCERS and distributors owe it to the consumers of their products that they shall always be of the highest quality and available at reasonable cost. They shall maintain fair measure and guard against adulteration. Customers are entitled to courtesy, promptness and good service, and every endeavour shall be made to see that they receive them.

EMPLOYERS owe it to labour to recognise that welfare is not conceived in terms of philanthropy, but as a social obligation. Men and women engaged in production shall do so with dignity, honour and a sense of security. Fair wages should be paid for work done. Working conditions shall be as pleasant as possible. Opportunities should be made available for the worker to gain technical skills and better his economic prospects and social status. Procedures should be instituted for the removal of legitimate grievances so that the employee is satisfied that he gets a fair deal. The employers should welcome the existence of stable and democratic trade unions. They should recognise that in the sphere of employee-management relations, as in other spheres, checks and balances are essential for the working out of rational and democratic solutions. They should accept the role of labour as one of creative co-operation and recognise the need for providing increasing opportunities for consultation of employees and their progressive association with Management to help in the promotion of increased productivity from which all will benefit.

MANAGEMENT owes it to those who invest in their enterprise that they receive a fair return on their investments commensurate with the risk they take. At the same time, reserves must be created for expansion and modernisation of the plant and machinery and in their utilisation the Management remains accountable to the investor. Money must also be provided for research. The earning by the shareholder of a fair return or profit by the entrepreneur under competitive conditions and after payment of fair wages must be regarded as a legitimate reward for the risk and the work of promotion and development which the community urgently needs. Certain mal-practices have crept into the system of company management. They are to be condemned and should be removed. Hoarding, black-marketing and profiteering are anti-social and evil. Honest business practices can be promoted and encouraged by an honest and efficient administration in a democratic State.

PROFESSIONAL MEN—lawyers, teachers, doctors, auditors, or writers—owe it to those who avail themselves of their services to maintain the highest standards and traditions. They should discharge their duties truly and faithfully, and should always subordinate considerations of personal gain to the larger objective of service.

WE ALL owe it to the community that we accept our obligations as good citizens. We shall bear our share of taxation honestly. We condemn unequivocally any attempt at tax evasion. We shall actively participate in the promotion of social, cultural and civic improvements. Wealth or power shall not be a justification for vain-glory or ostentatious display, but an opportunity for rendering service to the community.

FORUM OF FREE ENTERPRISE

Sohrab House, 235, Dr. Dadabhoy Naoroji Road, Bombay 1.

THE WEEK'S NOTES

A SANE SUGGESTION

IT IS regrettable that improvement in India's educational system has not kept pace with her economic development and social reconstruction. Those who maintain that the Government of India is building a "first class modern State for third class citizens" are, therefore, not wholly without justification in their complaint. This gap has at last been acknowledged even by the ruling Congress Party in its election manifesto. Now, after ten years of dilly-dallying, the Central Advisory Board of Education has recommended a language policy for the country.

According to the recommendation all students, except those belonging to the Hindi-speaking areas, will have to study three languages: the regional language, Hindi and English. Students in the Hindi-speaking areas will be required to study one modern Indian language. The recommendation in respect of English as the third language is sensible. It is imperative that English continues to be studied in this country if it is not to cut itself adrift from the main streams of international developments in practically every field.

It would not be out of place to recall, in this connection, the observations of Raja Ram Mohan Roy, father of the Indian renaissance movement, on the introduction of English as a medium of instruction. These observations apply with even greater force for retention of the language. In his memorandum to Lord Amherst, the then Governor-General of India, Raja Ram Mohan Roy wrote that the ancient Indian system of education could "only be expected to load the minds of youth with grammatical niceties and metaphysical distinctions of little or no practicable use to the possessors or to society. The pupils will acquire what was known two thousand years ago, with the addition of vain and empty subtleties since produced by speculative men, such as is commonly taught in all parts of India."

It is fortunate that the language policy has been formulated when there is still a chance to persuade our people to be dispassionate and practical in their attitude to English. The "revival" of English does, it is true, seem a little difficult. Apart from the efforts of the fanatics bent on undoing what English has been able to do for the unity and enlightenment of this country there is the acute shortage of teachers in English. At the present time the country's 1,400 colleges are finding it rather difficult to obtain teachers of the required calibre. It was for the solution of this problem that at the instance of the University Grants Commission, the Kunzru Committee was appointed to recommend ways and means of securing adequate proficiency in English at the University stage. It is to be hoped that the Kunzru Committee will also be asked to go into the problem of meeting the demand of 12,000 higher secondary schools for teachers in English. The task is, of course, difficult, but something must be done to stop our educational system from disintegrating; the progress that is taking place in other national fields will be illusory if the gap is left yawning.

SCIENCE AND ETHICS

IN HIS address to the Indian Science Congress, Mr. Nehru referred to an aspect of the role of the scientist that merits particular attention. The recent inventions of science have certainly caused a great dread in the minds of people over the prospect of world peace. More significant is the fact that the extension of scientific knowledge has increased the area of moral choice between good and evil and the Prime Minister, therefore pertinently observed that "if science divorced itself completely from the realm of morality and ethics, then the power man possessed might be used for evil purposes". Hence even a scientist, he said, could not live in a world of ivory tower cut off from the results of his own work "so powerfully affecting the destiny of humanity". Now, no one will deny that scientific research should be related to human welfare. But is it possible for the scientist, (who must be a specialist if he is to be any good) all absorbed in his work, to keep in touch with the repercussions — social and economic —of his activity? Is this not one that should legitimately concern the statesman, the administrator and the sociologist who should determine to what uses the inventions of science must be put? One would, therefore, think that the future of science lies largely in how responsible statesmanship conducts itself in a world where mankind is dominated by strong passions and prejudices.

So far as India is concerned, there is less cause for despair as the scientists here have no need to face any conflicts of choice in view of the essentially peaceful nature of the country's policy, domestic as well as foreign. Scientific progress, it is often stated, is stimulated by the economic needs of a country and with India set on a goal of planned economy, the opportunities for the scientist to concentrate on economic and social improvements are immense. It is in this connection that Dr. B. C. Roy pleaded for original research by the Indian scientists and the adaptation of the results of such research to the conditions obtaining here. What can be more fascinating for the scientist of this generation than to bring his talents to bear in raising the living standards of people and to bring civilized life within their grasp?

WHO WAS RESPONSIBLE?

THE FINDINGS of the Commission which enquired into the circumstances of the accident near Ariyalur on the Southern Railway may bring no comfort to the near and dear ones of the 154 persons who died in the early hours of November 23, 1956. But wisdom after the event is not to be decided for the lessons drawn by the Commission may go a long way in alerting the Engineering Department of the Southern Railway. The Department is, of course, absolved of responsibility for the accident while the poor patrolman on duty, the Permanent Way Inspector, the Station Master and the Regional Engineer at Trichy are singled out for sharing a sense of guilt. The Commission has passed its severest strictures on the patrolman in particular and overruled the opinions of technical assessors in this regard. The findings of the Commission have been accepted by the Government of India, but the fixing of responsibility on certain individuals while the engine-driver and his crew were not alive to give evidence is morally (though not legally) open to question.

To slur over the collective responsibility of the Southern Railway administration in general and its Engineering Department in particular does not sound logical in the light of facts found in the report. These facts would bear succinct repetition. There are about 20,000 bridges on the Southern Railway and each regional engineer is in charge of about 7,000 bridges. The railway bridge on the Marudayar (the cruel jungle stream which took such a heavy toll of life) was completed in 1928. In spite of the heavy floods of 1937 and the subsequent minor floods and in spite of the fact that a portion of the southern embankment of the

Marudayar had suffered a breach necessitating rivetment to the extent of 400 feet in 1941 (when the ex-South Indian Railway was company-managed) no attempt was made to strengthen the southern bank in anticipation of likely damage to that side of the bank in case of heavy floods in future years. Rainfall on the Ariyalur-Kallagam section was very heavy on the night of November 22-23, 1956. The ill-fated Madras-Tuticorin Express crashed into the river at about 5-30 in the morning on November 23, while six other trains had passed over the bridge within the seven hours preceding the accident. The unprecedented and unforeseen floods in the Marudayar and the areas around the embankment of the river caused erosion or scour under and around the southern abutment of the bridge and its approach and when the Express train reached the sopt of the accident, 70 feet of the approach to the bridge collapsed or had already collapsed due to this scour or erosion and this resulted in the accident. The highest flood level in the river was in 1937 when it discharged 16,000 cusecs through the bridge whereas the peak discharge on the night of November 22-23, 1956 was later estimated at 50,000 cusecs. According to the technical assessors, with an ordinary hand signal lamp the patrolman on duty could not have observed or even guessed that the abutment was being undermined. The Permanent Way Inspector inspected the bridge and its protective work on the 22nd November and did not find anything wrong. It rained heavily only from 11 o'clock that night.

Though these facts may speak for themselves, it is necessary to add some comments. The safe running of six trains over the bridge (within the seven hours preceding the accident to the seventh train) should have lulled everybody concerned into a mood of instinctive complacency. It was an act of God that it did not strike any of them that the heavy impact of successive trains might have gradually undermined the approach to the bridge at a time of heavy discharge of water. The Commission itself has admitted that the floods on the Marudayar on the night of November 22-23 were 'unprecedented and unforeseen'. It also holds that it was problematic whether the timely construction of a rivetment or other protective works at or around the southern abutment of the bridge would have been enough to prevent the erosion and avert the accident, the Engineering Department of the Southern Railway could not also be held responsible for the accident. Who, then, was responsible?

ATOMS FOR PEACE

THE PRIME MINISTER'S assurance, while inaugurating Asia's first atomic reactor and the Atomic Energy Establishment at Trombay, that India will never use atomic energy for evil purposes is in consonance with this country's peaceful intentions in all walks of life. That other nations also are veering round to the idea of using atomic energy for peaceful purposes is evidenced by the international collaboration in the establishment of this project set up for the benefit of mankind. Even nations prepared to use atomic energy for destructive purposes are turning more towards its peaceful uses, not only because they are horrified by the scale of possible destruction but also because of the need to find alternative sources of power. Britain, for example, has made a beginning at Calder Hall to double her output of electricity in the next decade and has plans for more nuclear power stations. In India, too, the Government is making heavy investments in this pioneering work. Of the three experimental reactors the first, the swimming pool type reactor, is already functioning; the second, a high flux reactor using heavy water, is to be set up with Canadian help and a third of another type will also be ready by 1958. Besides this, the Atomic Energy Establishment plans to recruit 250 new engineers every year for training at Trombay.

All this is welcome but the pace of development may have to be quickened in the interest of industrializing India for which atomic energy would also be helpful. Fortunately known reserves of uranium and thorium in India are equivalent to more than fifteen times our resources of coal. In the monazite sands of South Travancore we have a rich asset. These could be exploited fully for the development of atomic power. Since cities in India such as Delhi, Bombay and Madras are far away from the coalfields, and the cost of coal transport is high it may be worth while to build a couple of atomic power stations although they may involve some heavy outlays.

SOUTH AFRICA IN THE DOCK

THE RULING Whites in South Africa have year after year, for the last ten years, flouted the verdict of the United Nations Organisation in regard to the position of the people of Indian origin living in that country. The latest resolution once again calls upon the South African Government to sit round a table with India and Pakistan in order to arrive at a settlement. If past experience were any guide — and nothing has since happened to suggest that there has been a change in the attitude of the Government of South Africa — it would be vain of anybody to hope that the discriminatory treatment of South African Indians can be argued out of South Africa even if it is assumed that she would agree to direct talks with the two countries concerned. In point of fact, she has been holding out threats, however ineffective, of not permitting Indian ships to touch her ports, which only shows the working of her mind. For this unreasonable attitude, the feeling cannot be helped that the United Nations is as much responsible as the South African Government. It is hard to think of a reason why the United Nations could not be as effective in implementing its decisions on South Africa as it has been in other cases where the position was positively more delicate. Surely, no member of the United Nations has ever taken seriously the plea put forth by South Africa that the matter is her 'internal affair'. That the situation created by the racial policies of South Africa is perilous cannot be over-emphasised.

The demand for a more human treatment of the people of Indian and Pakistani origin in South Africa forms only a part of the major question of racial discrimination in that country. The Natives and the Coloureds are equally groaning under the worst type of humiliation and suffering. To that extent a solution, even if reached with India and Pakistan, will be only a partial and, therefore, an uneasy solution although it is just possible that a partial solution may help to some extent in the resolution of the general apartheid tangle. It is unfortunate that so far this has not either been sufficiently realized or has not been adequately stressed. (In the long period, not even the Whites would escape the adverse effects, economically, of the extreme steps of 'apartheid', like the Group Areas Act.) It must be clear to India and Pakistan as well as to the United Nations that there is not much scope left for a negotiated or a partial settlement. The time has already arrived for all the victims of apartheid to put up a joint front. That should not only hasten the end of apartheid but also bring about a lasting solution.



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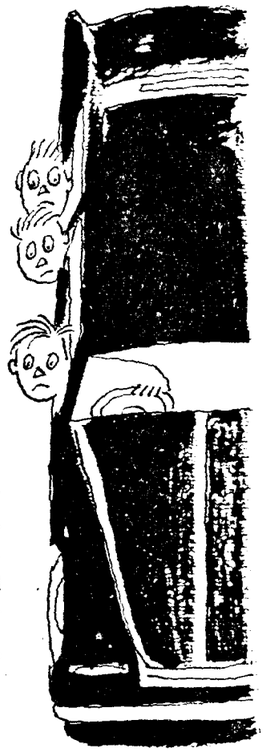
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A Window on the World

MACMILLAN FOR EUROPE!

By

ODYSSEUS

MOST COMMENTATORS in the UK have interpreted Mr. Harold Macmillan's appointment as Prime Minister as a victory for the diehard, right wing of the Conservative party. If so, it only goes to show how far to the Left the British Right is, for, in economic matters, Mr. Macmillan is the author of "The Middle Way", published as far back as 1938, advocating a wide extension of social enterprise and credit, while in foreign affairs so far from being an Imperialist, he was one of the earliest and staunchest supporters of European co-operation and unity, for which he has incurred the strong disapproval of the quaintly old-fashioned Beaverbrook newspapers, virtually the sole remaining upholders of the Imperial idea. In parenthesis, it should be added that their resounding Imperial bark is not worse than their bite because they have no teeth left in any sense that matters in British politics.

In second parenthesis, I may mention that Mr. Macmillan's son, Maurice, by chance lives next door to Mr. R. A. Butler and that during the hours of suspense while the Queen was deciding whether to send for Mr. Macmillan or for Mr. Butler, Mr. Macmillan's small grandchildren chalked out a notice which they put in the window to the large amusement of the curious crowds: MACMILLAN FOR PREMIER! Following this distinguished precedent I am putting up a notice in my Window on the World: MACMILLAN FOR EUROPE!

After these interruptions, I resume my argument: From the viewpoint of all in Britain and in Europe anxious to advance the cause of European co-operation, Mr. Macmillan's promotion is good news.

A recent survey of opinion in nine European countries made by correspondents of "The Times Review of Industry" (December 1956) revealed the importance attached in most of these countries to British participation in the common market plan, chiefly because they fear that without it German industry would dominate Europe. Mr. Macmillan's influence on British policy as Chancellor of the Exchequer was substantial. As Premier it will be greater still. So that the chances of UK participation are now better than ever.

Discussion of the formidable practical problems raised by the creation of a common market continue in the British and US press, but hitherto such discussion has been based solely on brief newspaper summaries of the proposals drawn up by the committee of which M. Paul Spaak, Belgian Foreign Minister, was chairman. These were drafted in French and it has been virtually impossible to get hold of an English translation anywhere in England (although in order to write last week's article here, I did, on your behalf, manage to snaffle a typewritten copy from the British National Committee of the International Chamber of Commerce).

This gap has now been partially filled by PEP (Political and Economic Planning, 16, Queen Anne's Gate, London. SW. 1.) which has issued a 21-page summary (price 2sh. 6d.) in English of the Spaak Report. I believe that a common European market has been brought nearer by Mr. Macmillan's Premiership, but whether or not the plan is eventually carried out, it is going to be ever increasingly debated in the weeks to come. I, therefore, propose to devote some space to outlining it in hopes that, in India at least, the debate will be better informed. We may as well know the facts of what we are supposed to be talking about before we decide to approve or condemn the common market proposals.

BRITISH WORKERS AND EMPLOYERS AGREE

Since its endorsement on May 30, 1956, the Spaak Report has been an official statement of policy by Belgium, France, West Germany, Italy, Luxemburg, and the Netherlands, as a consequence of which they are now drawing up a treaty for a customs union. The UK has taken no decision of policy but has tentatively proposed that any country which wishes to retain its own system of tariffs against the rest of the world should be allowed to join a European free trade area, the nucleus of which would be formed by the six Treaty countries. This proposal has been provisionally welcomed by the Federation of British Industries and by the British Trades Union Congress (don't tell me that the age of miracles is over!).

The Spaak plan creates the common market in three stages of four years each. At the end of the first year, tariffs will be cut by 10 per cent, with two further reductions of 10 per cent at intervals of eighteen months, making 30 per cent in all in the first four years stage. In the second stage, the same process will be followed, producing a total cut of 60 per cent after eight years. The balance of 40 per cent will be eliminated in the final four years.

Although it might seem simplest to abolish a fixed percentage of existing tariffs at each stage, the diversity and widely differing levels of tariffs in the various countries make this impracticable. Instead, there will be latitude in their reduction of specific tariffs, providing that at each stage a weighted average reduction over groups of products agreed beforehand is effected. The difficulties created by the differing tariff nomenclatures used in each country, have been solved by deciding to classify products not by their physical content but simply by the rate of duty that they bear. The average reduction in any one member country will be calculated by weighting the percentage reduction of duties on each product by a factor representing the value of imports of this product from other member countries.

Simultaneously with the abolition of tariffs inside the common market, a common tariff towards the outside world will be worked out as an average of the tariffs of member countries. This is in accordance with Article 24 of the General Agreement on Trade and Tariffs and should reassure Japan, Chile, and the USA, all of which have expressed fears (flattering to European ears) that they might be priced out of a common European market.

If the average reduction were based on the volume of past imports it would produce a false figure because certain imports, e.g., raw materials, are usually duty free, and secondly a common commercial policy could not be based on the separate national policies in force before the creation of the market. If the reduction

were based on the average of previous tariffs and the total volume of imports, or if it varied from product to product, there would be interminable delays in drawing up an agreed nomenclature and deciding whether any product was "animal, vegetable, or mineral".

The Spaak solution is to lay down that in calculating the average reduction, tariffs that exceed certain maximum levels (which are to differ for raw materials, semi-finished and finished goods) shall be treated as if they stood at those maximum levels. Thus, at one fell swoop, unnecessary statistical work is cut out, fair treatment whatever their pattern of imports is ensured for all member countries, and GATT rules fulfilled which lay down that the average of the common tariff shall be no higher than those previously applied.

Quotas will be abolished by enlarging them by 20 per cent per annum. State trading or central buying agencies create a problem here, because an automatic increase in quotas would force the state to buy more than it might need. If centralised buying agencies have not disappeared (happy thought!) before the end of the transitional twelve-year period, the Spaak solution is to set up one central agency to act for all Europe.

BALANCED EUROPEAN DEVELOPMENT

The Spaak plan cuts the ground from beneath the classical Protectionist argument against Free Trade by recognising that the mere removal of trade barriers does not necessarily lead to the most effective division of labour, flow of capital, or economic expansion, and cites the failure of southern Italy to prosper after union with the North in 1860 and the failure of the southern states of the USA to compete with the North after the civil war in 1865. The plan, therefore, envisages that the automatic working of the laws of supply and demand should be supplemented by common market rules and policies. A rational division of labour will not be attained if (1) suppliers can discriminate between customers by refusing to supply them, or by double pricing, or by dumping; (2) monopolies divide up markets; (3) state aid, subsidies, or tax exemptions, etc. persist; (4) a member country compensates for different levels of taxation or other costs by devaluing its currency; (5) transport costs are not harmonised throughout the area; (6) commercial policies are not unified.

To secure these various objectives, the Spaak plan sets up a European Commission nominated by governments, which in certain matters will have executive jurisdiction to enforce the agreed rules of the common market as they apply to the six subjects listed above. In other matters, the Commission will have to formulate policy proposals for approval by a Council of Ministers, a powerful body charged with the co-ordination of national policies with European policy. Its decisions will in principle be unanimous, but in order to prevent any country vetoing progress, differences could be referred to a European Assembly or to a European Court of Justice.

Not least, the balanced development of all areas (backward as well as advanced) of Europe will be promoted by the establishment of (1) a European Investment Fund acting like the present World Bank and (2) a Re-adaptation Fund to help workers who may be temporarily thrown out of work as competition eliminates some less efficient industry.



HOUSES OR MOTOR CARS

(From Our Special West European Correspondent)

PARIS, January 19.

TWO months ago the Continental press was full of the gloomiest forebodings about the economic consequences of the closure of the Suez Canal and the oil pipelines. The gnashing of teeth and tearing of hair was, of course, loudest among the critics of the Eden-Mollet Egyptian expedition; thus in Switzerland and Scandinavia, and in France among the Mendes-France party, economic disaster was promised for the winter as a result of the oil shortage. Even among those who were not hoping that poetic justice would smite the aggressors, there was the expectation that some painful consequences would be felt. It was generally agreed that the expansion of 1956 would be stopped and 1957 would open with a very poor prospect. None of this has happened. On the Continent the economic damage caused by the interruption and slowing down of oil supplies has been minimal — and is in fact very difficult to find. Finance ministers and economic journalists who began writing their New Year prospectuses before the Suez war have had to change very little of their optimistic forecasts since. The expansionist trend in West European economies will continue throughout 1957 and the petrol crisis has done no more than aggravate a few existing difficulties and shift emphasis from some fields to others. And in so far as emphasis is shifted from motor cars to housing, the effects of the petrol crisis may even be beneficial.

This is because the automobile industry in Continental Europe had become not only the pilot sector of the economy but even an unhealthy overgrowth that needed to be curbed. No democratic government was capable of curbing it, as the outcry in France last year against increased motor taxation made clear. The ownership of private cars has vastly increased since the boom began in 1952: over half a million new private cars were sold in France in 1955 and almost three-quarters of a million in 1956. A car is not a luxury any more, nor even a badge of membership of the middle class; most new cars and almost all second hand cars (an immense market this) are being bought by working people. Even a Socialist Government finds it difficult in these conditions to put the breaks on automobile expansion when it threatens to get too far ahead of the rest of the economy; and a government would be slow to admit such a threat when the state itself owns, as in France, one of the biggest automobile plants in the world. Economists — and moralists — were uneasy about this automobile craze but there seemed to be no way of limiting it. The Egyptians and Syrians found one, and thus may have done Europe a good turn.

When the petrol shortage began, the economically ignorant, the moralists and everyone who did not own a car thought that the solution was quite simple — it was just a matter of limiting private pleasure touring. After all, they argued, millions of motor cars are being used in Europe for the most flippant and unnecessary of purposes: Sunday trips in the country, and the vanity of rolling up to office in a horrid little two-horse-power job instead of taking the bus. Cut this out, or even just limit it, voluntarily or by law, for a couple of months and Europe can tell Nasser to clean up his own canal at his leisure. Perfectly correct; if all the alleged Christians in Europe had walked to church on Sundays instead of driving out to visit grandmother the petrol shortage would not have been noticed and industry would have had all the fuel it needed. Perfectly correct but also perfectly irrelevant. Although moralists and socialists find this hard to understand, economics is not about what people need but what people want. And even if their "wants" are idle or foolish luxuries, satisfied at the expense of "needs", industry has to go on meeting those wants, or there is a slump — which means that "needs" cannot be met either. You cannot operate on an economy and amputate the "unnecessary" luxuries without killing the patient.

Thus, a limitation on private motoring in Europe today would not "hurt" anybody directly and most motorists would be better off at home reading by the fire than out cursing fellow-motorists on over-crowded autobahns or cruising endlessly about the city looking for a parking spot. But the indirect consequences would be enormous and possibly catastrophic. A decline in the activity of the automobile industry and all its numerous ancillaries (all of them admittedly working to satisfy a foolish craze) would very quickly produce unemployment and limit the demand for everything else. So, after an attempt at limiting pleasure touring, European Governments have now given up and although there is petrol rationing you can still get petrol (to the moralists' chagrin) to drive out in the country in the midst of a national fuel shortage. Rationing is sufficient to spread inadequate petrol supplies among all users, and the automobile industry is protected by giving special rations to those who buy new (or even second-hand) motor cars. Thus Europe is meeting the crisis fairly easily, by cutting its luxuries no more than its "essential needs".

Now, although economics is about what people want and although the economist or business man has to take wants as given and beyond his control, one is permitted to ask whether it is a good thing morally or economically for one set of quite factiticus wants to hypertrophy beyond all proportion to the rest of our lives. In other words, do the neo-capitalist economics of West Europe have to resign themselves to the fact that people prefer cars to houses, when under suitable conditions the housing industry could provide just as good a "pilot" for the economy as the automobile industry now does? The question becomes all the more urgent if it is realised that some appetities grow on what they feed on — that is, that a preference for cars over houses increases the demand for cars and further handicaps housing. This has happened in Continental Europe where the neglect of housing has combined with rent control to make housing poor and unattractive and expensive. Thus, the French today (and to a lesser extent other Continentals) live in mean and crowded conditions such that make the thought of a Sunday at home almost unbearable, even in winter, and the only solution is to get in a car and go out to the country.

To buy a flat in a European city (most flats nowa-days are bought, not rented) costs at least Rs. 25,000, but a new car can be had for Rs. 6,500, so by the time a family's savings get to Rs. 10,000 it is tired of waiting for a flat and buys a car, whereafter the cost of petrol, upkeep and motor holidays puts an end to further savings. If the family is lucky enough to have a rented flat, rents are controlled at so low a figure that there

is plenty of money left over for luxuries; but it is no use buying furniture because there is no room for it, and not much point spending money on a flat which the landlord neglects because his rent is absurdly low. So money goes to, not the "solid comfort" of the Anglo-Saxon who has a respectable house to keep up and beautify, but less solid consumer goods: food, wine, long-playing records and, of course, motor cars and the holidays that they make possible if not inevitable.

The result is that on the Continent since the war (this applies to less prosperous economies such as Spain as well as to the booming German, French, and Italian economies) economic expansion has been excessively based on one industry and its ancillaries. The fleet of private cars has outrun the increase in national wealth, the balance of trade, housing construction and the building of roads, especially in Europe's medieval cities. From being a healthy pilot or leader of the economy, the automobile industry has become almost a cancer, and is smothering some forms of activity as much as it is promoting others. The poor relation is housing, particularly in the Latin countries. The building industry is technologically neglected and sticks to traditional methods while engineering is revolutionised. Labour drifts from the scaffolding to the conveyor belt. Government controls are piled on housing, with the intention of keeping rents down so that people can have more to spend on motor cars, and with the effect of making construction unprofitable. Meanwhile Government protection is lavished on the automobile industry, with the result that several European countries (France is the outstanding instance) have as their pilot industry a group of factories that could not stand up to a week's competition under free trade conditions from neighbouring motor industries. The middle classes and the well-paid majority of the workers indulge in the automobile craze while a sort of sub-proletariat gets the worse end of the housing stick and is condemned to live in conditions that are a disgrace to prosperous nations.

The Suez war and the consequent petrol shortage, by putting the breaks ever so gently on this growing disproportion and by showing West Europe how much its prosperity depends on a morally dubious luxury while elementary needs like housing are neglected, have stimulated new thinking about the foundations of the present and continuing economic growth. It is already realised that if the petrol shortage threatens to limit economic activity dangerously, then the slack should be taken up very quickly by stimulating housing construction. But even beyond the temporary shift in emphasis produced by the Egyptians and the Syrians, economists are wondering whether this shift should not be maintained even when petrol supplies are back to normal. That is, whether, without pretending to remodel the European economy on the basis of alleged "needs" instead of real "wants", it might not be possible and desirable to give building a little more of the pilot's role that has since the war been left entirely to the automobile industry.





WORLDGRAM

AGRICULTURE

Viet-Nam's Rice Exports: South Viet-Nam is to export 50,000 tons of rice during the first quarter of 1957. The Department of Economy, announcing the result of conversations between Government officials and representatives of the Association of French and Vietnamese Rice Exporters, forecasts that, for the present, Viet-Nam will be able to export up to 300,000 tons of rice annually. This marks the definite re-entry of Viet-Nam into the world rice market, where she once occupied so pre-eminent a position. Before 1939 the French colony of Cochin China, now the Southern part of the Republic of Viet-Nam, exported nearly 2 million tons rice per annum.

*

Orissa Tenants Relief Amending Bill: The President has given his assent to the Orissa Tenants Relief (Second Amendment) Bill, 1956. The Bill seeks to confer on persons whose lands have been acquired for the Hirakud Project, the right to evict tenants from land which they might purchase after their own land had been acquired. Earlier, special provision was made in the Orissa Tenants Relief Act, 1955, to enable persons whose lands were acquired for developmental purposes to evict tenants from the land they might purchase to replace the land they had to part with. It was, however, provided therein that for the purposes of such eviction these persons should have purchased their new land before December 31, 1955, and the tenants, to be evicted, were to be given notice before March 31, 1956. It has not been so far possible to pay compensation to persons displaced by the Hirakud Project. Hence the Orissa Government consider it necessary that more time should be given to them for acquiring property and evicting tenants, if they so desire. The last date now fixed for purchasing lands is February 28, 1958, and for giving notice to tenants May 31, 1958.

INDUSTRY

Development of Machine Tool Industry: A Development Council has been set up by the Government of India to keep constant watch on the progress of the machine tool industry and recommend measures for its development. The Development Council will recommend targets for production and co-ordinate production programmes for machine tool. It will suggest norms of efficiency to eliminate waste, obtain maximum production and improve quality. Among other functions of the Council will be promotion of arrangements for better marketing and standardisation of the products of the industry. The Council will also promote labour welfare, measures for increasing the productivity of labour and the training of technical personnel.

*

Standard for Cealing Wax: The Indian Standards Institution has published an Indian standard specification for sealing wax. The standard prescribes the requirements and methods of test for compositions which are to be used in the molten condition for putting seals on the joints of any packages made of paper, cotton cloth, hessian or wood and on which some embossed inscriptions are to be put while the compositions are hot. Three grades of sealing wax are recognised for satisfactory adhesion to various types of surfaces. This standard prescribes the methods of sampling and test for determining capability of taking impressions, heat resistance, resistance to heat polymerization, etc. Copies of this standard, are now available for sale from the Indian Standards Institution, 19, University Road, Delhi-8, and its branch offices at P-11, Mission Row Extension, Calcutta, and 40|40A, Cawasji Patel Street, Fort, Bombay-1.

*

Potash Output in Israel: Production of the Sodom potash works has at long last reached a monthly rate of 6,000 tons. While this is still only half the plant's schedule capacity, it does represent a substantial improvement on the monthly average of 3,000 tons attained in the first nine months of last year. Total output in 1956 came to 40,000 tons, of which 35,000 tons were exported to some 15 markets. Britain, Japan, Italy and Ceylon are currently among the principal customers. The company continues to face many difficulties, chief among them the lack of trained technical personnel and low productivity. Good engineers are adverse to working under the unfavourable climatic conditions of the Dead Sea region, while the workmen, housed in camps near the plant, tend to have a high absentee rate. It is proposed, therefore, to start special housing projects at above-sea-level sites for the workmen and their families and to transport them to and from the plant daily. Since this project will take some time to realise, the works are not expected to reach their annual output target of 150,000 tons before 1958 even later. Other unsolved difficulties are an adequate supply of water for the washing of the evaporation pans, though some progress has been made in sinking wells for this purpose, and the high cost of transporting the potash from Sodom to the port of Haifa (partly by road and partly by rail), which accounts for 25 per cent of total production costs

*

Production of Sugar: Production and despatches of sugar from indigenous factories amounted to 4.51 and 3.19 lakh tons up to December 31, 1956, in the current season as against 3.58 and 2.43 lakh tons respectively in the corresponding period of last year. The stocks with factories on December 31, 1956, stood at 6.60 lahh tons as compared with 5.26 lakh tons last year.

TRADE

Australian Trade Mission for India and Ceylon: The Australian Government is sponsoring a trade mission to India and Ceylon. On present indications the party will arrive in Calcutta on March 23, 1957, spend five weeks in India and leave for Colombo on April 30. The mission will comprise mainly manufacturers, exporters and representatives of Australian banks. They will visit Calcutta, Madras, Bombay, Delhi and such other places as may be of special interest to particular members. Australian exports to India, valued at £A11,966,204 in 1955-56, were made up of nearly 300 separate categories of exports which, in addition to food stuffs, wheat and wool, included increasing quantities of manufactured goods. The Australian Government is hoping to increase the volume of trade between India and Australia. In pursuance of the programme of encouraging closer commercial relations with her neighbours, an additional Australian trade representative will be appointed to India when a Commercial Counsellor will take up duty at the Australian High Commission, New Delhi, in a few month's time.

*

British-Polish Trade Agreement: As a result of negotiations conducted in London and Warsaw between the Government delegations of Poland and Great Britain, a new three-year trade agreement between the Polish People's Republic and the United Kingdom of Great Britain was initiated at the Ministry of Foreign Trade in Warsaw on December 20, 1956. This leads to the expansion of Poland's trade exchange with Great

Britain, which occupies at present the fourth place in Poland's foreign trade as far as the value of trade is concerned. During the first three quarters of this year Poland's trade with Great Britain reached the value of some $112,400,000. Of this $63,100,000 represented the value of Polish exports to Britain, and $49,300,000 British exports to Poland. This means a 3 per cent increase in the over-all turnover between the two countries as compared with the corresponding period of 1955.

*

Australia to Relax Import Controls: The Australian Government has decided to relax import controls. Australia will allow the entry of additional imports worth about £(A) 30 million (£24 million) yearly. Full details of the relaxation of import controls will be announced later.

*

Linseed Oilcake Export Quotas: The validity of export quotas of linseed oilcake has been further extended up to the end of March, 1957, from January 15, 1957, according to a Trade Notification issued by the Joint-Chief Controller of Exports, Bombay recently. The export quotas, announced on July 18, 1956, were valid up to the end of December, 1956, and the period was extended up to January 15, 1957, by a Trade Notification issued on January 2, 1957, which said that the Government had decided not to release any fresh quotas for the present.

FINANCE

Aid for Promotion of Sericulture Industry: The Government of India have sanctioned during 1956-57, 138 grants for the development of sericultural industry in India under various State schemes, the total cost of which comes to Rs. 27,98,435. Loans amounting to Rs. 24,92,250 for 12 schemes, which include the establishment of a modern filature at Malda, West Bengal, the establishment of a raw silk marketing society in Bangalore and modernisation of filature machines in Jammu and Kashmir, were also sanctioned. West Bengal tops the list of States receiving grants, with Rs. 4,79,046, while Jammu and Kashmir, Bihar, Assam, Mysore and Madras follow with grants amounting to Rs. 4,23,764 Rs. 367.932, Rs. 338,263, Rs. 2,39,350 and Rs. 2,27,165 respectively. During the first half of 1956, the Silk Board imported 109,916 lbs. of raw silk, of which 108,980 lbs. have been allotted as follows: 30,088 lbs. to States, 22,618 lbs. to silk associations and 40,181 lbs. to actual users, while an allotment of 16,093 lbs. has been made for export promotion schemes.

*

French Reserves: France's official exchange reserves touched a fresh low at the end of 1956, when they fell during December by some Frs. 20,000 million (£20 million) to Frs. 100,300 million (£100 million) owing mainly to the payment of interest on North American post-war loans. The fall of the reserves of the Bank of France during last year thus represents approximately 75 per cent since at the beginning of 1956 they amounted to Frs. 394,000 million (£394 million). At the rate of shrinkage of the last quarter the Bank's exchange reserve will be exhausted around the middle of March. In these estimates no allowance is made for the $262.5 million credit line obtained some weeks ago from the International Monetary Fund, nor for the gold stock of the Bank of France. Frs. 301,000 million (£301 million) which has remained untouched so far. In the final quarter of 1956 the monthly loss of foreign exchange holdings rose to over £40 million as compared with some £20 million in each of the first three quarters.

*

East African Earnings: The total earnings from East African railway and harbour services in November, 1956, were £1,658,000, compared with £1,872,000 in the same month of 1955. Earnings were £203,000 below the level estimated for November, as against a shortfall of £207,000 in October. Total earnings for the 11 months—January to November—were £19,684,000. These compare with £19,523,000 in the same period of last year, but are £275,000 short of the earnings estimated in the revised estimates of revenue and expenditure for 1956. The approximate total railway revenue for November, 1956, was £1,392,851 compared with £1,502,156 for November, 1955—a decrease of £169,305 or 7.28 per cent. The total revenue for the first 11 months of 1956 amounted to £15,717,066 compared with £15,971,081 during the same period of 1955, a decrease of 1.59 per cent. The whole of this decrease was attributable to a decline in the earnings from goods and livestock traffic which were 2.8 per cent less than the earnings during the same period of 1955.

*

Rebate of Duty on Excisable Goods Used in Manufacture of Articles for Export: The Ministry of Finance (Department of Revenue) have already notified the procedure for the export of articles under rebate of duty on the excisable goods used in their manufacture. It has been specified in the procedure that the Central Board of Revenue shall declare, from time to time, to which articles this procedure shall apply. To begin with, the procedure has been made applicable, with immediate effect, to (i) ready-made apparel, (ii) tents, and (iii) sugar products, including biscuits and preserved fruits. Manufacturers of these articles wishing to export them out of India, are advised to contact the Collector of Central Excise in whose jurisdiction their factory is situated, in order to avail themselves of the benefit of the procedure, subject to observance by them of the formalities required under Rule 191-A of the Central Excise Rules, 1954.

GENERAL

Modernising Railway Signalling: The Railway Board has sanctioned a Rs. 22-lakh scheme for improving signalling facilities at the eight stations situated between Wardha and Balharshah on the Delhi-Madras section of the Central Railway. These stations will be provided with modern interlocked signalling. At present, these stations have a signalling system worked by hand levers which severly restricts section capacity, besides prepetuating hazards inherent in non-interlocked working. The interlocking of stations will ensure greater safety and speed in the operation of trains, and also help in stepping up line capacity.

*

Consumption of Oils and Fats: The per capita consumption of oils and fats in India has increased from 10.5 lbs. per year to 11.5 lbs. during the course of the last five years, declared Dr. J. C. Ghosh, Member, Planning Commission, at the special session of the Oil Technologists Association, India. The target of additional production of oilseeds during the second Five-Year Plan period, he added, had received the most anxious consideration both from the point of view of adequate nourishment of the people and foreign exchange earnings and had been finally fixed at 7.6 million tons by 1960-61. This implies an increase of 2 million tons over the present production.

*

Bombay Town Planning Schemes Validation Bill: The President has given his assent to the Bombay Town Planning Schemes (Bombay City Nos. II, III & IV) (Mahim Area) Validation Bill, 1956. The Bill seeks to replace an ordinance which was promulgated last year to remove all doubts and validate proceedings taken by the Bombay Corporation in connection with certain town planning schemes in which some legal formalities were not observed.

NEWS IN BRIEF

INDIAN

The total production of natural rubber in 1956 is estimated at 23,750 tons.

*

At the end of the first Five-Year Plan, power generation had gone up from 6,575 million kilowatt hours in 1950-51 to 11,000 million kilowatt hours in 1955-56 and the installed capacity from 2.3 million kilowatts to 3.4 million kilowatts.

*

India aims at building up a permanent national reserve of 20 lakhs tons of food grains.

*

In the 12 months ending June 1956, the Hindustan Shipyard delivered three modern diesel engine ships, a record performance since the first ship was commissioned from the yard in 1948.

*

The coffee crop during the current year is expected to exceed the harvest estimate of 36,000 tons. Picking of Arabica coffee, which started in November 1956, will be practically over by the end of the current month, while that of Robusta will be completed in March next.

*

According to figures released recently, tea production in December 1956, is shown at 2.9 million lbs against 13.06 million lbs. in the corresponding month of 1955. Total production for the season ended December 1956, amounted to 536.66 million lbs. as against 534.22 million lbs. in the corresponding period of 1955.

*

The Government of India have agreed to give concession to printers to import machinery for the All-India Printers Exhibition scheduled to begin in Delhi from April 2, according to the Delhi Printers Association.

*

It is reported, the production of coking coals of selected "A" and "B" grades in 1957 would be pegged to the overall ceilings of 7.90 million tons, against 7.70 million tons in the preceding year.

*

The Government of India have decided not to permit any further exports of semi-manufactures of copper (sheets, circles strips, plates, bars, rods, pipes, tubes and bare wires).

*

The Forward Markets Commission have announced that on its advice the Government of India had granted recognition to the Indian Pepper and Spice Trade Association for conducting forward trading in garbled Malabar black pepper for a period of three years.

*

The Development Council for Sugar industry has approved of the plan for the sugar industry for 1957-58 which aimed at a production target of 2.16 million tons, the estimated production during 1956-57 being 2.05 million tons.

*

Production of jute goods showed a small rise of 1,100 tons in December 1956, as compared with November. Hessian rose by 900 tons to 37,700 tons probably due to a gradual switch over from sacking to hessian looms and other varieties by 700 tons to 5,900 tons.

*

It is reported a zinc smelter plant would be set up at Udaipur by the Government of India. Other industries proposed to be started in the State are two wagon factories, a pig-iron factory and a soda ash factory.

FOREIGN

Four foreign oil companies—Socony, Shell, Caltex and British Petroleum—have decided to build jointly an oil refinery in Turkey with an output of 65,000 barrels of crude daily. Talks on this matter have been concluded with the Turkish Government.

*

It is reported exports of Australian manufactured and semi-manufactured goods in the financial year 1956-57 would be 30 per cent higher than in 1955-56. The exports of these goods in the last financial year were 25 per cent higher than in the previous 12 months.

*

Cultivation of coffee and Cocoa have become important industries in the Australian-administered part of New Guinea.

*

Quanos Y Fertilizantes de Mexico, S. A. a semi-official body controlled by Nacional Financiera, is beginning construction this month of a new fertilizer plant at Coatzocoalcos (veracruz) at a cost of 30 million pesos. The second plant will be erected at cuautitlan for the production of sulphuric acid.

*

It is reported the Continental steel Cartel in Brussels has raised the export price of hot rolled strip and skelp from $110 to $113 f.o.b.

*

The Central Banking Council in Germany has reduced the discount rate from 5 per cent to 4½ per cent and the rate of advances on securities from 6 per cent to 5½ per cent.

*

South African gold production reached the record total of 15,892,935 ozs. last year. It was 1,290,668 ozs. higher than in 1955, the output for which at 14,602,267 ozs. was the best since the record war-time total of 14,496,761 ozs. attained in 1941.

*

The International Monetary Fund is expected to lend Argentina $575 million early next month after approving the par value for the peso.

*

Australia had a favourable balance in her overseas trade of £A99.7 million (£79.8 million) for the six months ended December 31, 1956. This compares with an unfavourable balance of £A26.6 million (£21.3 million) for the corresponding period of 1955-56 and £A39.2 million (£31.4 million) for the whole of the past financial year.

*

It is reported preparation of the treaties establishing a European Atomic pool and a customs free common market is expected to be completed by early February.

*

The 1956 steel output of the six nations of the European Coal and Steel pool showed a rise of over 4 million tons to a new all-time record total of 56.72 million metric tons.

*

According to official figures, tea production in Ceylon during November 1956, amounted to £38.5 million lbs. Output for the period January to November 1956 amounted to 339.6 million lbs. consisting of 140.3 million lbs. high grown 126.7 million lbs. medium and 72.6 million lbs. low grown tea.



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?

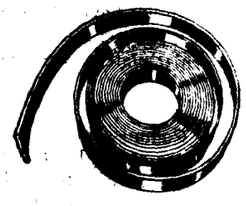
At the end of the rolling, we get coils of flat, steel strip—skelp, as the steel man calls it. The skelp is passed on to the Indian Tube Company, which welds it into tubes.

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.



TATA STEEL

SERVES THE NATION

Special Articles

PRODUCTION OF PAPER

IT is now an axiom that the consumption of paper is an index of the advancement and state of literacy of a country. The 'per capita' consumption of paper in India is among the lowest in the world averaging 1.9 lbs. per year. How she stands in comparison with some of the advanced countries is shown below:

Country	Per Capita Consumption in 1954 (in lbs.)
US	383.7
Canada	280.3
UK	164
Australia	130
W. Germany	109
France	84
Japan	46.8
India	1.9

These figures indicate how far the country has to go to catch up with the modern world. However, with the growth in industrial production, rise in the general standards of living and rapid increase in literacy and education, all of which will be the concomitants of the Five-Year Plans, the consumption of paper is bound to increase considerably in the coming years. During the last few decades, the Indian paper industry, in fact, has made rapid progress and today it is one of the major industries. Another significant fact is that it is one of those industries which the Government feels should be developed by the private sector.

Although India was known for hand-made paper long ago, production of machine-made paper started only in 1870. Between 1870 and 1930, there were only five paper mills but on the eve of the first Five-Year Plan, the number of units was 17 with an annual rated capacity of 136,600 tons. The present capacity of the existing 21 units is 211,900 tons. The following figures show the production of paper and paper boards and consumption of paper and paper products (including newsprint) from 1950-51 to 1955-56.

	Production	Consumption
1950-51	114,036	209,110
1951-52	135,091	218,492
1952-53	136,337	229,573
1953-54	137,301	249,204
1954-55	169,090	285,862
1955-56	188,849	317,536

Production has thus increased from 114,000 tons in 1950-51 to 188,000 tons in 1955-56 but it has not kept pace with the growing demand. In spite of the increase of 74,000 tons in production, the country has been importing more paper and paper board than in 1951 and together with 80,000 tons of newsprint and 20,000 tons of old newspapers, used as wrapping paper, the total cost of imports in 1956 was Rs. 15.3 crores. During the past five years, the consumption of paper and paper board increased on an average by about 8 per cent per annum. But consumption is expected to show a progressive annual increase of 10 per cent over the next five years consequent on the rise in industrial production and general standard of living and growth in literacy and it is estimated to be of the order of 350,000 tons by 1960-61, i.e. 50 per cent more than at present. Similarly the demand for newsprint is anticipated to increase from the present figure of approximately 80,000 tons to 120,000 tons by 1960-61 consequent on the additional demand arising from higher standards of living and increased literacy which will be reflected in an expansion of the newspaper reading population.

To meet the requirements of the country in the next five years, the Planning Commission have fixed a target capacity of 450,000 tons a year for paper and paper board by 1960-61 taking the average production at 80 per cent of capacity. This is sought to be achieved by issuing licences for substantial expansion of the existing 21 units and setting up of 22 new units which together, it is estimated, will bring the capacity to 542,196 tons. As for newsprint, the State-aided Nepa Mills (the only one of its kind now in India) which went into production in 1955, has reached a production of over 50 tons per day. When it attains full production, it is expected to supply 30,000 tons per year, thereby saving the country an estimated sum of Rs. 1.5 crores of foreign exchange. In addition to this, Government have plans to set up another newsprint factory in the public sector by the National Industrial Development Corporation at Shakarnagar, near Hyderabad, with a capacity of 30,000 tons per annum.

However, with the demand for newsprint estimated to go up to 120,000 tons by 1960-61, it will not be possible to achieve complete self-sufficiency during the next five years. Though there is scope for two more newsprint factories, the availability of sufficient raw materials may prove a serious handicap. So it may be taken that imports of newsprint would have to be continued at about 60,000 tons per annum during the period of the second Plan. On the financial side, it is estimated that an additional investment of about Rs. 54 crores would be needed to enable the paper industry to achieve a capacity of 450,000 tons of paper and paper board and 60,000 tons of newsprint by 1960-61. Compared with the Rs. 11 crores estimated to have been invested during the first Plan, the figure tells its own story. While the bulk of the resources is to be found from the private sector, they may have to be suitably supplemented by assistance from the Industrial Credit and Investment Corporation and the Industrial Finance Corporation.

The implementation of the various schemes in hand and the further expansion programmes contemplated for manufacture of paper and newsprint would naturally pose problems of availability of raw materials, machinery and equipment and technical manpower. The expansion of the paper industry to its present size can be attributed to the use of bamboos for paper-pulp and today bamboo forms 70 per cent of the total fibrous raw materials used and over 30,000 tons of bamboo are at present annually consumed for paper manufacture. This is likely to go up to 60,000 tons in the second Plan period and hence production of bamboo on a large scale has to be carefully planned.

Next in importance comes 'sabai' grass which is suitable for use in the manufacture of mechanical and chemical pulp. But because of its limited incidence and unsteady supply and the multitudinous uses to which bamboo is put, there is need for pursuing research in the utilisation of alternative raw materials. Attention is now being given to agricultural residues such as sugarcane bagasse which should provide an abundant and sustained source for the manufacture of paper. It is estimated that if all the bagasse from various sugar factories could be harnessed for paper

production, the country can have two million tons of paper per annum from this source alone which is now mostly used as fuel. It has also been found that bagasse pulp is not only cheaper to produce than the usual 'sabai' grass pulp, but it is possible that cheap grade writing and printing paper can be made from bagasse. Grasses and reeds, which have so far been found to be of little economic value, are now being investigated for the production of different grades of paper. There is thus great need for closer co-ordination between the paper industry and the Forest Department for planned plantation of bamboo, eucalyptus, wattle and other broad-based woods, grasses, etc.

The Planning Commission has recommended the reservation of specific forest areas and grant of long-term leases of forests for the paper mills but unfortunately some of the State Governments have followed a restrictive policy by annual auctioning of forest areas and continuous increase in the rates of royalty. It must be realised that only with long-term leases of forests, the industry would be in a position to invest considerable capital and in their own interest undertake proper development of the forest areas. Inadequate information about the availability of raw materials in different regions has also proved another handicap and it is to be seen how far the decision that each State should conduct a survey of its resources of raw materials for the paper industry is being actively pursued. This would help in deciding the future location and size of new units. An ad hoc Committee has also been constituted to co-ordinate measures for the supply of bamboo and other raw materials for the paper industry. Apart from raw materials, there is also the question of adequate supply of coal and water which are essential for the production of paper.

The country's engineering industry is still not sufficiently advanced to tackle such a complicated proposition as paper manufacturing machinery. The second Plan envisages a modest beginning in this respect and the target for 1960-61 is for production of machinery valued at Rs. 4 crores per annum. It is estimated that it will be just adequate to turn out equipment for one paper mill with a capacity of 50 tons per day. Attention must, therefore, be concentrated on creating capacity for manufacture of machinery for the paper industry to achieve self-sufficiency in the course at least of the next decade.

The wrapping paper produced indigenously and the imported variety are both considerably higher in price than the imported old newspaper and this price difference has been the main cause of the increasing use of old newspaper for wrapping purposes. It is, therefore, necessary that special efforts should be made to foster the development of cheap printing paper and cheap wrapping paper. Here, it is useful to examine how far small-scale units with a capacity of one to five tons per day can usefully come into the picture to fill this need, and how far they can profitably utilise the cellulosic raw materials like bagasse, grass and soft woods which are spread out in small and big quantities in all parts of the country. It is pertinent, however, to remember in this connection that no paper unit with a capacity of less than 50 tons per day would be economical due to rising labour and raw material cost and the expansion of the capacity of existing units to 50 tons per day will make then economical and stand future competition.

The employment potential of the paper industry is also not insignificant. In 1950, the total number of persons employed in the industry was estimated at 22,000. By 1961, it would be in a position to engage over 50,000 besides providing further indirect employment for about 20,000. With proper transport facilities and fair distribution of raw materials and with timely assistance from the State, there is no reason why the paper industry should not only be able to achieve the targets under the second Plan (a per capita consumption of 5 to 6 lbs. in 1961 from the present 1.9 tons is a distinct possibility) but what is more, look for a better and brighter future in the successive Plans.

CONGESTION ON SUBURBAN RAILWAYS

EXCESSIVE overcrowding during peak hours in mornings and evenings on suburban railways is a feature common to every country. It is estimated that in foreign countries congestion of passenger traffic during peak hours is of the order of more than 200 per cent of the seating accommodation. In India this problem has assumed great dimensions. The Suburban Train Overcrowding Enquiry Committee was asked to investigate possible remedies to relieve congestion during peak hours on the suburban lines in Bombay, Madras and Calcutta. The Committee's report which was signed and tendered to the Government early in April 1956 was released to the public only last week. The delay in releasing this thin report, which runs into about 100 pages and deals with a secondary problem of railway passenger transport, is probably due to the fact that, on full consideration of the investigation undertaken, Government has come to the unhelpful conclusion that marginal relief is all that seems practicable.

This general assessment of the labours of the Committee may appear somewhat pessimistic, but it is objective. What the Committee has to say about the immediate prospect on the Calcutta suburban railways is undoubtedly a source of much concern. There the existing services and equipment have reached a saturation point. The second Five-Year Plan provides for electrification of the suburban lines on the Eastern Railway and the South-Eastern Railway. These projects are bound to take considerable time for full implementation. In the meanwhile, the attitude of the administrations is to do the unavoidable minimum because of the certainty of substitution of electric train services. The Committee has rightly criticized this attitude. It has recorded its view that lack of provision for improvement of the existing steam train services is not due to an attitude of indifference. It is basically due to imbalance in planning which ignores the urgent problems of the intervening period. This imbalance must be redressed by provision of steam service stock which can be utilised after the lines are electrified on other sections of the railways.

During the war and post-war period, with rapid concentration of populations in the three cities and their suburbs, the volume of suburban railway traffic increased by leaps and bounds. The Committee's report does not give relevant statistics of the expanded volume of traffic on the Calcutta suburban railways, but there cannot be any doubt that its growth has been as rapid as in the case of Bombay, if not more The following table sets out the trends of traffic on the Bombay and Madras suburban railways.

TRENDS IN SUBURBAN RAILWAY TRAFFIC

(Number of passengers in millions)

Year	Central Railway	Western Railway	Southern Railway
1938-39	33.6	47.6	8.49
1939-40	33.9	48.3	8.50
1940-41	36.4	51.1	8.65
1941-42	45.4	59.7	9.68
1942-43	52.4	64.2	13.0
1943-44	70.0	84.3	16.5
1944-45	86.1	100.4	20.8
1945-46	98.0	112.1	25.4
1946-47	97.8	113.7	24.4
1947-48	108.0	128.1	28.7
1948-49	129.9	135.1	27.4
1949-50	143.8	149.8	28.7
1950-51	149.8	157.5	30.7
1951-52	147.0	145.4	28.0
1952-53	147.8	149.4	25.9
1953-54	144.0	153.7	24.9
1954-55	150.3	162.9	27.3

The above table conspicuously brings out the accelerated growth of traffic especially in the post-war period. Only during the three years, 1951-52 to 1953-54, there was a marginal decline in the volume of traffic on all the three railways. But there was a spectacular rise in 1954-55. The increases in each case have been excessive so as to put a heavy strain on the resources of the three railway administrations. The increase has been the heaviest on the Central Railway where it has shot up to 347 per cent in 1954-55 above the pre-war volume. For the Western Railway the increase during the period was 242 per cent, while for the Southern Railway it was 222 per cent. There is reason to believe that this increase is still pursuing a steady course. Economy in time and the attraction of concessional season tickets are bound to maintain traffic on suburban railways at high levels. There is no reason, therefore, to suppose that congestion will be relieved in the near future. It is sometimes argued that the development of townships in the vicinity of these cities will relieve this problem. This argument misses the central point that while the problem of residential accommodation may be eased, the transport problem will remain very largely unrelieved because the townships cannot be expected to be self-sufficient at least in respect of employment.

The important part of the report relates to the recommendations of the Committee for creating additional carrying capacity on the suburban railways. A number of suggestions have been made in this connection. It would be relevant to refer only to the important among them. The Committee has discussed the evidence before it on the possibility of staggering of working hours in the employing establishments. There is a general attitude of opposition to this proposal on grounds of great inconvenience to suburban residents. The Committee feels that if staggering is restricted to modest limits of opening of offices between 9 A.M. and 11 A.M. at half hourly intervals, peak hour overcrowding will be dispersed. This solution may be practicable in the case of those employing establishments which have limited dealings with the public. But in the case of a majority of establishments like business firms its possibilities are remote.

On the suburban railways eight coach trains are very widely employed. An analysis of the total carrying capacity of trains on this standard basis shows wide variations depending on the nature of the stock employed. The capacity is at its lowest in the Sealdah Division of the Eastern Railway at 490 per train. It is at its highest on the Western Railway at 1,568 by reason of the fact that the new EMU Stock has been commissioned there. Electrification would undoubtedly be an aid to quickening the speed of trains and augmenting passenger carrying capacity and likewise marginal improvements can be obtained on electrified sections by using stock with greater width But the one factor which can provide substantial relief by way of higher carrying capacity is the special design of coaches to suit specific conditions of travel in suburban trains. This has been proved by the experiment with the new EMU stock. An analysis of the floor area and passenger accommodation capacity on the stock is interesting. It shows that for 2 unit rakes of 8 coaches, 60 per cent of the floor area is allocated to seating accommodation and 40 per cent to standing accommodation. The results, translated in terms of passenger accommodation, are 54 per cent of the total passengers with seating accommodation and 46 per cent with standing accommodation. Suburban travel is of very brief duration and unencumbered by luggage. Provision of more standing accommodation, therefore, has great potentiality of augmenting passenger carrying capacity with little inconvenience. The Committee suggests that the floor area should be divided between seating and standing accommodation on a fifty-fifty basis. According to this allocation, the net increase in accommodation capacity will be about 12.5 per cent on trains employing new EMU stock. Indigenous production of this type of stock will be possible only after some years and there are obvious limitations on large-scale imports. Provision of larger standing accommodation on the conventional types of coaches will yield, of course, smaller results than the gain of 12.5 per cent with EMU stock.

It would appear that other economies and measures of enlarged carrying capacity have only a limited potential. The Committee has gone into some details of augmenting train loads. On the electrified sections of the railways on the Bombay and Madras suburban sections, this device will yield very poor results because of the limitations of line capacity which is currently used almost to the full. It should be possible to increase the number of fast non-stop trains between distant points after providing passengers at intermediate points with separate services. Some economy in time and capacity is suggested by the use of two engines for steam sections and discarding of tank future. It is sometimes argued that the development remedies. It would appear that the improvements and rationalisation suggested by the Committee will bring an increase of not more than 10 per cent in the present formal carrying capacity of suburban train services.

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The Business World

ENERGY FROM ATOM AND OIL

By

(CROESUS)

AS the first editorial in 'The Eastern Economist' of last week observed, the New Year has indeed begun well on the Energy War Front. A unique feature of this battle is that it is multi-pronged, all the four sources of energy, namely, coal, water, atomic power, and oil, being brought under harness. In regard to coal, the battle has begun with the amalgamation of small collieries with a view to intensifying the exploitation of all available coal resources to satisfy the fast-growing demand for high grade fuel, while the recently begun Trombay power station has demonstrated the vast possibilities of thermal power. Yet, when one is told that India has only about 110 tons of coal in the ground per head of population, one cannot fail to appreciate the urgency of the Battle for Energy. The Hirakud Dam Project is but a symbol of the promising big strides in harnessing water to produce hydel power that the country has been making. The second Five-Year Plan, it may be noted here, envisages the starting of 44 new hydro-electric and steam generating stations. Although it is true today to say that the mighty atom has not yet acquired a footing in the Indian commercial field, the inauguration of the 'Apsara', the Swimming Pool type Atomic Reactor at Trombay, by our Prime Minister last week-end marks a right and auspicious start in this direction. Dr. H. J. Bhabha, Chairman of the Atomic Energy Commission, is convinced that "for the long-term industrialisation of India, atomic energy is a necessity", but he only spoke of setting up atomic power stations within the coming five years, although Mr. Gulzarilal Nanda seems to be more optimistic, judging from the proposal he referred to at the All-India Power Engineers' Conference on Monday, of setting up a nuclear power station with a capacity of 140,000 kw. As regards oil, the Government of India's efforts in association with Governments and oil interests of several foreign countries underline the importance of this fuel, which has been appropriately described as "the most basic substantial element in filling the gaps in energy demand which are likely to appear in the next fifteen years".

When I first read the remark quoted above, I frankly thought that it was too tall a claim. But it does seem—notwithstanding all the persuasive pleading of Dr. Bhabha about the economies of an atomic power plant 'vis-a-vis' a thermal plant—that, for at least the next twenty years, oil will have to fill the energy gap in the world. It is interesting to read here the answer to the question as to which of the four sources of energy will supply the growing world demand for energy posed by the latest monthly 'Broadsheet on Britain'. "Water power-hydro-electricity", says this answer, "can only make a small contribution. Atomic power can fill a small part of the gap, but it cannot possibly fill it all. It is unlikely that coal output will rise fast enough. So the energy gap in the next twenty years must be filled mainly by oil". Indeed, oil has been playing this role for quite some time. It is estimated that, in the past twenty years, oil production has gone up nearly four times and that it now provides a third of the world's total energy and power.

But all this is not to minimise the importance of atomic power. Even if it is not likely to fill more than a small part of the energy gap, it is a vital necessity, for, as Dr. Bhabha remarked, "India will be unable to attain a standard of living equal to that obtaining in the industrially most advanced countries today, unless she becomes dependent on fuel imports on a gigantic scale or uses some new source of energy". According to what the A.E.C. Chairman said, atomic energy would be required by India not only as a source for electric power but also to promote its use in agriculture, biology, industry, and medicine.

Immediately, however, public interest is centred on atomic energy as a source for electric power. Personally, I am averse to judging this remarkable achievement of the establishment of the first atomic energy plant in the whole of Asia (excluding Russia) merely from the point of view of the economics of power supply, however important cheap power is for a poor country like ours. Yet, considering the great pains that Dr. Bhabha took to prove that, if we take both capital and running costs into account, we shall not find atomic power to be very costly at all, I feel I must refer to his views on the economics of working an atomic power plant, notwithstanding the fact that, as yet, only one large-scale atomic power station has gone into operation at Calder Hall in the UK, as he himself mentioned. On the basis of this prototype, it was his contention that electricity would be available from atomic energy during the next five years at a cost of not much more or much less than about six annas per unit. This rate, of course, compares favourably with the rate of electricity generated by conventional thermal power stations in India at places remote from the coalfields such as Bombay, Ahmedabad, Delhi and Madras. There are, unfortunately, a number of places in India where the only source of energy—not an alternative source as in Bombay, be it noted—cannot but be thermal power, and it is, therefore, pertinent to compare the rate of energy charged by such stations with that expected to be charged for electric power produced by an atomic plant.

As regards initial capital outlay, it goes without saying—and Dr. Bhabha specifically admitted this—that an atomic power station would require a 50 per cent higher outlay than a thermal station, although he added that the next few years might see a substantial reduction in this. Against this, it is interesting to compare the calls made by a conventional thermal power station of say 140 mega watts or 140,000 k.w. situated away from the coalfields, say at a place like Delhi. Besides an additional mining of some 750,000 tons of coal per day requiring the use of some 1700 one-fifth of that quantity of uranium ore for an atomic power station, such a station would involve transport of coal, over the whole distance, of as much as 2,000 tons of coal per day requiring the use of some 1700 wagons and nearly 30 locomotives. (These ancillary items would entail a capital cost of over Rs. 3 crores, it is stated). For producing the same amount of atomic power, on the other hand, the transport requirements would only be of the order of 50 to 100 tons of uranium per annum. Thus, as against the 50 per cent higher initial capital outlay that an atomic plant might entail, there is a considerable saving not only in the capital to be invested on new mining machinery but also in the transport of the raw material needed. Taking the entire picture, therefore, one is bound to agree with the view of Dr. Bhabha that "it is questionable whe-

ther atomic power would involve any greater burden on the economy as a whole. Indeed, it is possible that it may involve less".

Apart from its potential value such as providing electric power and being useful in agriculture, biology, industry and medicine, the Tromboy atomic energy establishment has proved to the world that, given the opportunities, Indians can hold their own against the nationals of any other country even in such advanced scientific fields as atomic research. It must have afforded not a little gratification to all Indians present —there were at least about a 1000 of them—to be told that this first reactor in Asia was designed, engineered and built entirely by our own people and Indian industry, except for the fuel elements. But it is only fair to add that the success of the achievement was due as much to the willing and wholehearted co-operation of other countries like the UK (through its Atomic Energy Authority), which provided the fuel element containing enriched uranium, the USA (through its Atomic Energy Commission), which has supplied 20 tons of heavy water (the entire output for a whole year expected to be produced by the large plant being set up for the purpose at Nangal), Canada, which has offered to set up the powerful high-flux reactor for conducting engineering research, and France, which provided the process for, and design of, the plant at Alwaye (South India) to treat the well-known monozite sands of the West Coast. This list of foreign countries from whom India has received assistance according to Dr. Bhabha was impressive enough, but our Prime Minister added Russia also with whom he said co-operation would develop in future, perhaps to stress the uninhibited international character of India's essay into this mysterious field. Be that as it may, Mr. Nehru was not content to receive assistance from others thus; he underlined India's traditional greatness when he offered training facilities in this country's atomic energy establishment to all—Asian and Africans. But he drew the maximum applause when he gave the assurance to the world that "whatever may happen or whatever may be the circumstances, we shall never use atomic energy for evil purposes". Will this message of peace be carried and communicated to the people of their respective countries by the scientists from 30 countries that witnessed the inauguration of India's nay, Asia's, first Atomic Reactor?

A Letter to the Editor

LANCASHIRE'S CASE FOR AGREED RESTRICTION OF IMPORTS

Sir,

Your correspondent Croesus considers that the UK cotton textile market should be completely open to duty-free imports from cheap products in the Eastern territories of the Empire, such as India, Pakistan and Hong Kong.

Lancashire believes, on the other hand, that complete freedom of imports will lead to the destruction of the UK cotton textile market to such an extent as to involve heavy unemployment and lack of strategic security in time of war or trade dislocation. It is also thought that the market be so flooded and prices so cut that the business would become of little value even to the Eastern producers concerned. The alternative, which is presumably being offered by the UK textile delegation, is a reasonable agreed limitation on imports to the UK with ample margin to allow for goods which will be re-exported after finishing.

It is a matter of opinion as to which alternative is in the best interests of the Eastern industries and countries concerned and Croesus is entitled to express his views freely. He makes statements, however, which are entirely incorrect.

The facts are as follows:

(1) Lancashire does not allege dumping against India. It is merely pointed out that the low priced cotton supplied to Indian mills gives them a great advantage. At times during the past two years this has amounted to as much as 13d. per lb. Recently the gap almost disappeared. It has now widened again and according to figures supplied by a well-known Indian cotton merchant in Bombay last week, the average would now be about 8d. The exact amount of the advantage varies with the exact grade or type concerned and with the world price of American type cotton compared with the internal price of Indian cotton.

(2) It is totally untrue that Lancashire only imports coarse and medium grey cloth for re-export after processing. Not less than 60 per cent of Indian textile imports are retained for sale on the UK market for home consumption.

(3) It is totally untrue that finishing and importing interests have not supported Lancashire's case. The accredited representatives of these interests were among the unanimous signatories of the "grey book" containing the case presented to the President of the Board of Trade. The Chairman of the Textile Finishing Confederation, Mr. W. Crossley and the Chairman of the Cotton and Rayon Merchants' Associations, Mr. J. S. T. Hawke, are members of the UK textile delegation now in India.

(4) It is totally untrue that Indian imports to the UK would, if restricted, be replaced by Japanese imports. Japanese imports are limited by a trade treaty to a small quota and the UK would certainly not make a new opening for Japan to the prejudice of an empire territory.

(5) It is true that Lancashire experienced a revival of trade at the end of 1956, but this was a temporary upsurge caused by the situation in the Middle East and by a rise in the American raw cotton market. Orders had again dropped off to a very low rate by the first week in January. Over the past few years retained imports have steadily increased and mill activity in Lancashire has steadily decreased.

Yours faithfully

"Fairplay".

22nd January, 1957.



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BUSINESS NOTES

INDO-PAKISTAN TRADE AGREEMENT

THE TRADE talks between the delegations of India and Pakistan were concluded here and a trade agreement was signed on Tuesday this week. The agreement is subject to ratification by the Governments of the two countries and is expected to come into force on February 1. The full text of the agreement will be published after ratification, but material particulars are already available from Press reports.

These particulars show that this agreement marks an improvement in some important respects upon the one which is due to expire at the end of this month. The period of the agreement will be for three years. Each country binds itself to extend to the other the most-favoured-nation treatment. Two schedules which enumerate items of export from India and Pakistan respectively are practically the same as in the current agreement. There is no specific mention of cotton textile exports from India. But a special third schedule is to be included which will provide for special arrangements. It relates to coal, hard and soft wood, stone boulders and sea salt for export from India and rock salt and forest produce for export from Pakistan. The quantities or values expressing the maximum limits of their exports will be specified in this special schedule. Under the current agreement 30,000 tons of coal were meant for export to West Pakistan and 48,000 tons for East Pakistan. In the new agreement the share of East Pakistan has been raised to 55,000 tons, while West Pakistan's share remains unchanged. These quantities will be sent by the rail-cum-river routes. In addition 15,000 tons will be transported to both the wings of Pakistan by sea. In so far as raw jute is concerned India will specify by September every year the quantities she would require which will enable Pakistan to plan her acreage of cultivation. India will import from West Pakistan 50,000 tons of cement which will be counterbalanced by the export of an identical quantity from India to East Pakistan. This barter arrangement will help both the countries to make economies in transport costs in the internal distribution of cement.

In one important part the agreement takes a step backward. The Pakistan delegation was insistent on withdrawing facilities of free border trade on the eastern frontier on the alleged ground of smuggling it is said to have encouraged. Total withdrawal of free trade would have resulted in great hardship to people on both the sides of the border and hence after a good deal of bargaining the facility was retained on a restricted scale. Free trade will be allowed within a belt of ten miles from the border. But in place of the maximum quantities of boat-loads or cart-loads of commodities the quantities are reduced to head-loads and only one trip per 'A' category visa holder per day.

IMPORT POLICY — THE OTHER SIDE

WITH THE dwindling down of sterling balances by about Rs. 200 crores during the past twelve months alone and the magnitude of our foreign exchange requirements in the context of our second Five-Year Plan, the import policy announced by the Government of India on December 29, 1956, effecting drastic cuts in imports in the current half-year, was not totally unexpected. The large trade deficit last year, it has been admitted, was due, by and large, to the sharp increase in imports, particularly of industrial raw materials and capital goods and it is probable that this trend bids fair to persist rather than to disappear; at best, it may slowly taper down to more manageable proportions. If this thesis is accepted, the cuts in imports fall into better focus. Yet before effecting such sharp cuts in the import quotas for as many as 509 items, as the Government has done, it cannot be denied that the "serious repercussions" thereof require to be carefully borne in mind. The Secretary of the All-India Importers' Association (A.I.I.A.) in his memorandum to the Government of India on the Import Policy for the January-June, 1957 period, apparently feels this has not been done, which has necessitated his Association to convey its reactions and considered views on the subject to the powers that be. Inasmuch as this Association consists of representatives of a wide cross-section of importing interests in the country, its reactions and views merit notice not only in these columns but at the hands of the authorities concerned as well.

In the opinion of the Committee, the policy of "wholesale tightening of imports and of such an irrational banning or drastically reducing imports of even such commodities which are in short supply and/or which are, at the same time, not at all manufactured in the country, will lead to very serious repercussions." This will lead according to it, to an increase in prices and a scarcity of goods, causing great hardship to the common man in the process. The various commodity markets have already reacted and prices have gone up. Even prices of such daily necessities as pencils, betal nuts, crockery, medicines, razor blades, glassware, cycles, and umbrella ribs have registered sizeable increases in prices.

In this connection, the Association lists the views of some of the trades affiliated to the Association who have been adversely affected, such as bicycles, bicycle parts and accessories, bicycle tyres, paper, mutton tallow, flash light cases, chemicals, acetic acid, umbrella ribs, rayon fabrics, blankets and rugs, woollen piece-goods, etc. and suggests that the "minimum value of an import licence should be raised from Rs. 500 to Rs. 1000". This should not be impossible for the Government to concede, if, as claimed, it affords some relief to an otherwise "disappointed and dismayed importer."

The Association no doubt appreciates that the new import policy is partly at least designed to afford an opportunity for the indigenous industries to develop and establish themselves firmly, but it cautions that there is a danger that the policy will "throw out of employment a large number of middle class people engaged in the import trade". This is unfortunate, but it is extremely difficult to weigh finely the advantages and disadvantages of two equally important alternatives. What the Government is faced with today, in fact, is not even alternatives, but, more or less, a Hobson's choice, which means that there can be scope, if at all, only for small increases, and the A.I.I.A. has wisely and judiciously asked for only that.

THE PROBLEMS OF OILS AND OILSEEDS

WITH THE anticipated increase of 25 per cent in the national income during the second Plan period, the demand for food articles, particularly of items with a low standard of consumption now, is bound to go up. Oils and fats is one such item whose present consumption per capita forms only 25 per cent of what is necessary for a balanced diet. Against this background, the target of 7 million tons in the current Plan fixed for the five major oilseeds — groundnut, sesamum, linseed, rape and mustard and castorseed — shows a modest increase over the 5.5 million tons which was the target of production at the end of the first Plan. Verily this

increase will be absorbed by the rise in population over the period, leaving the per capita consumption to remain at the present low level. Moreover the increasing industrialisation will create larger demands for oils for industrial purposes. Oils and oilseeds are also a source of foreign exchange earning, and the country will need to export more and more in order to minimise the foreign exchange gap. All this leads to the conclusion that the target falls far too short of what the country actually needs. Yet how is the gap to be covered, considering the demands, on the additional acreage, of other crops, in particular of coarse grains?

It has already been pointed out in this journal that a portion of acreage under millets if diverted to the production of groundnuts, which form two-thirds of the country's oilseed production, would bring about a large increase in money terms to the cultivator with a little extra investment. In his inaugural address recently at the Oil Technologists Association, Dr. J. C. Ghosh has suggested that much of the edible oil in the country which is currently being used for non-edible purposes could be spared for human consumption if the resources of the non-edible oil-bearing seeds like those of karanj, neem, kusum and punsi, which now go waste, are utilised for industrial needs. No doubt their collection is rather difficult, but given the large sections of unemployed people, it should not be impossible of achievement, if proper encouragement from the Government is forthcoming. This suggestion holds great potentiality of augmenting output and it is of immediate importance that its practical implications should be worked out. Again, marketing both internally and in the export markets needs to be reorientated. The acreage under oilseed cultivation in the country depends mainly on rain for irrigation which largely reduces the scope of a guaranteed production and this creates chances of fluctuation in the export trade. To overcome this difficulty, Dr. Ghosh has suggested devising some means of an economic method of carry-over. At the present time the advantage of stable markets is difficult to secure on account of inability to ensure continuity of supply. These are some worthwhile suggestions and should deserve proper consideration.

RATIONALISING EXPENDITURE CONTROL

MR. T. T. KRISHNAMACHARI'S plan to reorganise the present system of expenditure control is a variation of the once famous A. D. Chanda report which three years ago precipitated a cabinet crisis. The present scheme, however, differs from Mr. Chanda's plan in one essential respect. While the financial officers envisaged by Mr. Chanda were to be under the departmental control of administrative Ministries, the attached financial advisers — of Deputy Secretary or Under-Secretary status — proposed to be appointed by the Finance Minister will remain under the control of his Ministry. This change makes a vital difference from the viewpoint of accountability to Parliament.

The main features of Mr. Krishnamachari's scheme are the appointment of a Finance Adviser of the rank of Deputy Secretary or Under-Secretary in each Ministry who would assist the Ministry concerned from the very inception of a proposal. The Finance Adviser would exercise functional control over the budget cell in each Ministry particularly in the preparation of the budget, in receiving and reviewing reports of progress of expenditure and in ensuring that expenditure did not outrun the allotments. Apart from attached finance advisers there would also be two or three Joint Secretaries of the Finance Ministry who would deal with major items of expenditure like multi-purpose projects and the public enterprises and important negotiations in connection with projects or programmes.

It is believed that the proposed scheme has been generally welcomed by the Secretaries of the various Ministries. The scheme is expected to lead to a saving of anything between Rs. 5 crores and Rs. 15 crores annually, besides mitigating to some extent the traditional and inherent feeling of antagonism between a spending Ministry and the sanctioning Ministry. The advantages of the Finance Minister's proposals are obvious. Since the Financial Advisers will be associated with the schemes at every stage it would serve the purpose of rationalising the expenditure in the interests of the country's economy, besides expediting the execution of programmes which is sometimes slowed down for reason of procedural delays.

QUALITY CONTROL OVER MARKETING

THE SECOND FIVE-YEAR PLAN has laid stress on the reorganisation of the present system of agricultural marketing for securing to the farmer his due share of the price paid by the consumer and subserving the needs of planned development. It has also recommended extensive introduction of grades and standards in the internal trade of the country and extension of compulsory grading before export to a number of commodities. On the recommendation of the Rural Credit Survey Committee, Government have drawn up a programme for the construction of godowns and warehouses. Grading of agricultural commodities, which would be stored in these warehouses on the basis of prescribed standards, would form an integral part of the warehousing activity. It is well, therefore, that all this work should have been left to be organised in the laboratories to be established for the purpose. While laying the foundation of the Central Agmark Control Laboratory at Nagpur, the Union Agriculture Minister rightly termed the present marketing system as 'antiquated' and clinched the issue by saying that unless measures were taken to promote orderly marketing 'our plans for increased production and those for boosting the exports of our surplus commodities are likely to go amiss'. Standardisation and grading of farm produce, he reminded, were vital adjuncts to orderly marketing and for reorientating the marketing system, the establishment of national standards and national grade designation marks to indicate the quality according to the prescribed standards was essential. There is no doubt that proper grading and marketing of goods will on the one hand assure to the consumer the quality of the goods he is purchasing and on the other assure the producer a fair return commensurate with the quality.

Under the Agricultural Produce (Grading and Marketing) Act passed in 1937, grade standards have been prescribed for a number of items. But the progress so far has not been very appreciable and it must also be noted that most of the agricultural commodities, which account for over 40 per cent of the total export earnings of the country, are exported without any proper grading. It is, therefore, very essential that active steps should be taken for introducing grading on the basis of Agmark grades both for internal and external trade on an extensive scale with the co-operation of the trade. It is in this context that the service of the laboratories will be needed for extensive adoption of grade standards by the growers, processors, exporters and importers in foreign countries and for an efficient grading and inspection service. The Central Control Laboratory, besides co-ordinating and supervising the work of the regional laboratories, will also attend to the work of analysis of control samples collected for prescribing standards.

BOOK REVIEWS

CHINA

Contemporary China (Economic and Social Studies and Documents)—I, 1955: Edited by E. Stuart Kirby, Professor of Economics at the University of Hong Kong: Published by Hong Kong University Press| Oxford University Press: Pages 264: Price 30sh. net.

Contemporary China happens to be Communist China. This stupendous fact explains the outside world's interest in what is taking place in that country. We in India have an additional reason for such interest —the reason being that Communist China has become, for all practical purposes, contiguous China whose impact on this country is not negligible even in the short run. This impact is just incipient, though not decisive, being probably felt in the fiscal and agricultural spheres of our economic planning. This influence may not all be to the good. But what is not good may still endure. If it is not to endure—the long-term economic interests of this country demand that it should not distort permanently the democratic goals of Indian planning—some very reliable and objective knowledge of conditions in China would be required. This requirement can be met in some measure by a wide study of the invaluable research publication under review.

'Contemporary China' is too weighty and objective in its presentation of facts to be ignored. It starts with a historical review of Chinese-Russian relations since the 17th Century. This narrative throws a flood of light on some dark corners in our knowledge of a country which, some facile optimists believe, may fall out with Soviet Russia. This is just not likely to happen, for "the Chinese-Russian relations have always been characterised by a peculiar relationship which might be described as a sort of 'fellow-feeling'. There have been, of course, other factors which have contributed to reasonably stable relations between the two countries. For one thing, "as long as Russia remains essentially a European power, the strategic realities of the situation will prompt her to maintain the 'status quo' along the Chinese borders.... As long as the 'status quo' is maintained, Siberia is safe, and Russia can thus devote her attentions to her more important European areas and borders. A corollary to this axiom is the fact that if there was a threat to Siberia it must come from Japan, a Japan which was simultaneously the major threat to China... Whatever their differences may have been, they were not important enough to bring about a situation which would open the door for an expansionist Japan.....Today, of course, the United States has replaced Japan in the latter's island empire and is, in Communist eyes, the major threat to China and Russia". The review concludes prophetically. "If China and Russia have been bedfellows in the past the 'religion' (of Marxism) they worship in common can only serve to accentuate this situation. In time heresies may develop, and when they do, the repercussions will be great. But until that happens, the Chinese-Russian relations will probably remain firm".

The third section in the publication, dealing with the population problems of China, presents two views, one optimistic and the other sceptical. China's population as of 1954 is 602 million. Whether this is over-population or not is ably discussed. The fourth section dealing with agriculture (as of 1954) is very thin, covering just 3 pages. The spectacular collectivisation drive since launched has drawn worldwide attention. (Incidentally the factual and narrative sections in the Report of the Indian Delegation to China on Agricultural Planning and Techniques are uptodate and deserve close study). The principles of the Economic Policy of Maoism are explained objectively in the fifth section.

The sixth section entitled 'Four Years of Fiscal Policy in Communist China' is particularly relevant for study in India. This is not claimed to be an exhaustive account, but such facts as are given are very revealing. One such fact is that "whereas in 1950 the revenue from State-owned enterprises amounted to 12.5 per cent of the total public revenue, it was expected to reach about 36 per cent in 1954". Another fact is that tax revenue (which accounted for nearly 60 per cent of the total budgetary revenue in 1954) represented a tax-burden equal to about 24 per cent of the national income. As the national income per head in China was as low as Rs. 187 per annum, the tax burden should have been unbearable indeed. (This may be compared with a per capita income in India of Rs. 277 per annum in 1954-55 when the tax-burden was only about 7 per cent of our national income). These facts alone—pertaining to tax-burdens in China and in India—constitute a telling commentary on the inhuman character of totalitarian planning and the human approach of democratic planning.

An even more revealing fact about taxation in China is that the agricultural sector (paying central and local taxes) is one of the main sources of government finance and of capital accumulation, accounting for just under 15 per cent of the total Government revenue. With its differential but still high rates, the grain tax alone amounts to between 15 and 20 per cent of the total agricultural income. If the burden of local taxation is also taken into account, the higher figure of 20 per cent can be clinched as the right one. (This, again, may be compared with the position in India where land revenue including agricultural income-tax in some States and local taxation is just under 2 per cent of the total agricultural income). As for the non-agricultural sector of the Chinese economy, the principal taxes are a turnover-tax ranging from 1 to 3 per cent of the total business revenue and an income-tax varying between 5 and 30 per cent of the income or net profit. As for possible deficit financing in China, it is admitted "that a certain amount of money creation cannot be excluded although the determination of its magnitude would be guess-work".

Perspectives of the industrialisation policy as also the Five-Year Plan in China are succinctly dealt with in two other sections. The facts and figures bearing on these have been covered in some recent issues of 'The Eastern Economist'; no reference is, therefore, made to them in this review. Other sections bearing on the Chinese Eastern Railway, the Planning Structure, China's trade with Japan, the new marriage laws and Communist influence on the Chinese language are also as interesting and illuminating as the other sections. Readers in India may well look forward to the second volume of 'Contemporary China'.

MAJOR INDUSTRIES

Major Industries of India Annual, 1955-56: Editor: M. P. Gandhi: Published by M. P. Gandhi & Co., Jan Mansion, Sir P. Mehta Road, Fort, Bombay-1: Pp. 324: Price Rs. 15|- or £ 1-10 or $4.50.

This is the fifth volume of M.P. Gandhi's annual series dealing with developments in the sector of major industries in India. The Editor points to the 'process of adjustment of mutual altitudes between Government and big business in the last decade' and hopes that his 'Annual' may facilitate 'a more complete understanding between Government and private business'. The exposition of problems and policies bearing on a wide range of industries is expected to achieve this end. But, Mr. Gandhi admits elsewhere in the 'Annual' that 'talks of mixed economy are indulged in for the sake of form rather than out of a recognition of the importance of private enterprise'. Even if this 'importance' is not sincerely recognised now it does not matter much, for he holds out the hope that more responsibilities are likely to devolve on private enterprise 'either because of failure in the public and other sectors like the co-operatives or the cottage industries or for other reasons'. He, therefore, calls on the industrialists 'to seize the opportunities that will be presented not only in the framework of the Plan but also by the lacunae which the actual working of the Plan may reveal'. It is thus the importance of and the opportunity for private enterprise that provides the justification for this 'Annual'.

The opportunities and expectations of the private sector are ably dealt with in an editorial. Mr. Shyam Nandan Mishra, Deputy Minister for Planning, writes on the diffusion of benefits of industrialisation. Mr. John Sherman Cooper expects larger U.S. private investment in India with the stimulus provided by the International Finance Corporation. Mr. Lal Bahadur Shastri visualises great development in the sector of railways. The potentialities of fertiliser industry in India are outlined by Mr. K. C. Reddy, Minister for Production. Dr. P. S. Deshmukh, Minister for Agriculture, deals with raw cotton supplies and Mr. Shantilal Mangaldas, President, Federation of Indian Chambers of Commerce and Industry, outlines the export prospects of the textile industry. Mr. H. P. Bagaria, Director, East India Jute & Hessian Exchange Ltd., pleads for a larger jute crop for India's jute industry.

Mr. K. K. Birla presents a powerful case against any issue of further licences for the establishment of sugar factories as there is a likelihood of waste of capacity and also of financial resources which could with advantage be utilised for development of other industries. His contention is that in view of the possibility of increased production from the existing units by a higher recovery, larger crushing following augmented supplies of cane, and longer crushing season, as also by new units already sanctioned, production would increase to 2.5 million tons. Mr. G. P. Birla, President, Indian Paper Mills' Association estimates large increases in the consumption of paper in the next decade and urges the need, therefore, of an early assessment of availability of raw materials like bamboo and grass. The other major industries covered in the Annual are: Coal, Cement, Heavy Chemical, Aluminium, Oil Refining, Automobile, Defence, Telecommunications and Telephones, Electricity Generation, Iron and Steel, etc Banking, Management Problems and a number of related subjects are dealt with by experts in the respective fields. Space, however, forbids detailed reference to all the sections of what should easily rank as a first class publication.

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ANNUAL NUMBERS			
India 1948 — A Political and Economic Report	3	0	0
India 1900-1950 and India in 1949	5	0	0
India and the World and India in 1950	5	0	0
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COMMODITY NEWS AND NOTES

RECORD NORTH INDIAN TEA CROP

The North Indian tea crop during 1956 established a new record of 536,660,000 lbs. compared with 534,200,000 lbs. in the previous year. This was achieved in spite of the fact that the production in December 1956, was nominal at 2,900,000 lbs. due to complete stoppage of plucking by the end of November last year under the Crop Regulation Scheme. The total crop last year was 25,780 lbs. higher than the average for the previous three years. The increase in production is attributed entirely to the ever-increasingly replanted areas of young tea which are now reaching maturity.

RISE IN SUGAR OUTPUT

Production and despatches of sugar from indigenous factories amounted to 4.51 and 3.19 lakh tons up to December 31, 1956, in the current season as against 3.58 and 2.43 lakh tons respectively in the corresponding period of last year, according to a Food Ministry press note.

EXPORT OF SUGAR TO PAKISTAN

The Indian Sugar Mills' Association, which has been entrusted by the Government to undertake export of 50,000 tons of sugar, has taken up the work with promptness, it is learnt. The Association is already reported to have contacted prospective buyers in various countries and negotiations are expected to start soon with neighbouring countries such as Pakistan and Ceylon which are interested in Indian sugar. The Association has set up an exports division to organise the work.

RISE IN CASTORSEED PRICES

The Board of the Bombay Oilseeds and Oil Exchange Ltd., at its recent meeting, considered the situation arising out of the recent consistent rise in the prices of castorseed and groundnut. There was an opinion that a system of deterrent margin should be introduced into the futures trading in castorseed and groundnut with a view to arresting the upward tendency in their prices.

COTTONSEED OIL RESIDUE

Cottonseed oil grease or cottonseed oil residue (residual product obtained in the refining of crude cottonseed oil) will be treated as cotton seed oil for purposes of export outside India. Announcing this, a notification issued by the Joint Chief Controller of Exports, Bombay, said cottonseed oil grease or cottonseed oil residue will accordingly be licensed freely for export up to the end of June 30, 1957.

JAPANESE RAYON YARN FOR INDIA

Representatives of the Indian art silk industry are now conducting negotiations in Japan with the Japanese rayon industry for bulk purchase of three million lbs. of rayon yarn. The Indian Art Silk Industry expects to import rayon filament worth Rs. 2 crores from Japan as soon as the deal is concluded.

FORWARD TRADING IN PEPPER

Forward trading in pepper commenced in Cochin from January 15 under the auspices of the Indian Pepper and Spice Trade Association, Cochin. The regulation of futures contracts in pepper will, it is stated, help stabilise the pepper trade in the country at a time when India is keenly facing competition for this commodity in world markets.

COAL PEGGING LIMITS RAISED

The production of coking coal of selected 'A' and 'B' grades in 1957 would be pegged to the overall ceilings of 7.90 million tons as against 7.70 million tons in the preceding year, it is learnt. The overall ceiling of production in respect of grade I and II coking coals has been fixed at 4.40 million tons and 3.90 million tons respectively in 1957, against the pegging limit of 4.20 million tons and 3.10 million tons in 1956, it is further learnt.

EXPORT OF ONIONS

The Joint Chief Controller of Exports has announced that a small ceiling of export of onions is available for reallotment out of the unutilised quota announced in November 1956. Exports will be permitted till the end of February 1957 or till the ceiling is reached, whichever is earlier.

CANADIAN STEEL AND IRON OUTPUT

A further increase in Canadian production of steel imports and pig iron occurred in November according to the Bureau of Statistics. Steel ingot output amounted to 432,922 tons, up 6 per cent, over the previous November's figure of 406,722 tons. The 11 months total was 4,745,322 tons, a rise of 17 per cent. Pig iron production totalled 298,900 tons, up 5 per cent, from the corresponding month a year ago. Output for 11 months was 3,254,406 tons or 11 per cent more than the corresponding figure a year ago.

RECORD SOUTH AFRICAN GOLD OUTPUT

South African gold production reached the record total of 15.892,935 ozs. last year. It was 1,290,668 ozs. higher than in 1955, the output for which at 14,602,267 ozs. was the last since the record war-time total of 14,406,761 ozs. attained in 1941. Growing production from the new Far Western Rand and Orange Free State gold fields accounted for last year's fresh income. The 1956 output had an aggregate value of close on £200 million. The 1955 value (excluding certain amount of miscellaneous production) was £177.4 million and that for 1954 was £158.6 million.

BIG FALL IN CAR PRODUCTION IN U.K.

The British motor industry is faced with the most serious contraction in output and employment it has had to meet for over 20 years, it is learnt. In some of the largest factories in the country, car production has been cut up by 40 per cent since the announcement of petrol rationing.

RAISINGS AND DESPATCHES OF COAL

A total quantity of 85,007 tons of coal were carried by coastal shipping to various centres in India and 102,824 tons were exported to foreign countries, from various coalmining areas in India during December, 1956. About 100,452 tons of coal were despatched to Pakistan during December, 1956 as against actual despatches of 91,590 tons in November, 1956. For this purpose a daily average allotment of 149 wagons was made during the month. Raisings of coal during the month of November 1956 from all coalfields in India amounted to 3,323,227 tons and despatches to 3,025,063 tons. The average daily loading for December, 1956 from Bihar and Bengal coalfields was 3,384 tons.

DEVELOPMENT OF COTTON GINNING

The Ministry of Production has sanctioned a loan of Rs. 25,875, as subsidy for the development of ginning of cotton in the National Extension and Community Development Blocks in Madras State. The loan covers 50 per cent of the cost of purchasing 1,350 gins for 9 ginning units and the cost of purchase and supply of cotton to the units. Presently sanctioned for a year, the loan, which is interest free, is renewable for a further period, if continued assistance is required for the purpose.

U.S. ALUMINIUM RECORD

Primary aluminium producers in the U.S. set a new all-time production record during 1956 as well as for the fourth quarter of the year, according to the Aluminium Association. Total output last year amounted to 3,358,861,859 lbs. over 227 million lbs. above the 1955 record.

COMPANY AFFAIRS

AIR-INDIA INTERNATIONAL CORPORATION

The third year (April 1, 1955 to March 31, 1956) of the Corporation's existence was one of continued and rapid expansion. An idea of the Corporation's growth since its inception in 1953 can be had from the following figures. The unduplicated route mileage has registered an increase of 82.2 per cent from 10,364 on August 1, 1953 to 18,886 on March 31, 1956. The increase in fixed assets is of the order of 384.9 per cent from Rs. 156.83 lakhs to 760.43 lakhs. In hours flown, C.T.M. operated and operating revenues, the figures have gone up from 8,779, 11,551,000 and Rs. 239.05 lakhs to 20,889, 35,242,000 and Rs. 676.53 lakhs respectively. The proportionate percentage increase in the three items is 58.6, 103.4 and 88.7 respectively.

The financial results show that the Corporation made, during the year ended March 1956, an operating profit of Rs. 6.54 lakhs (approximate) after providing Rs. 72.50 lakhs for depreciation and Rs. 18 lakhs for obsolescence of spares and stores. The net profit comes to approximately Rs. 3.78 lakhs after taking into account the non-operating expenses and revenues and after providing Rs. 2.91 lakhs for deferred taxation. The results for the year reflect a credit in respect of the write back of depreciation to Profit and Loss account of Rs. 7.56 lakhs previously written off mainly in respect of the Constellation lost in an accident in the South China Seas in April 1955. But for this credit there would have been a net loss of Rs. 0.87 lakh in which case there would have been no need to provide for deferred taxation and the operating profit would have remained unaffected. In the absence of any final decision of the Lebanese authorities, the Corporation has not been able to take into account credit estimated at Rs. 6.50 lakhs in respect of its claims for refund of municipal and financial taxes on fuel uplifted at Beirut. If that credit were included, the operating profit would have been Rs. 13.04 lakhs and the net profit Rs. 7.46 lakhs.

Together with the previous year's carry forward of Rs. 0.23 lakh, the net profit amounts to Rs. 4.01 lakhs. The Board has disposed of this by appropriating Rs. 1.94 lakhs to Insurance Fund and Rs. 1.72 lakhs to General Reserve. The balance of Rs. 0.35 lakh has been carried forward.

Compared to 1954-55, the operating profit shows a substantial drop from Rs. 32.79 lakhs to Rs. 6.54 lakhs. The fall has been attributed mainly to the increase of nearly 50 per cent in the capacity offered during the year as compared to the previous year. Traffic takes some time to build up after every phase of major expansion and the fall in profits could not be entirely unexpected. The increased capacity offered is being absorbed by traffic as the estimated results of the first four months of the Corporation's current working year show.

During the year under review, the dispute between the Corporation and Air-India International Ltd., regarding the value of the accumulated privilege leave of staff taken over by the Corporation was settled. Accordingly, Rs. 5.34 lakhs was paid to the Company in Bonds and Cash. The total amount of compensation finally paid to the Company was thus Rs. 282.25 lakhs.

Towards its programme of expansion during the next five years, the Corporation has placed orders for two more super constellation aircrafts at a cost of about Rs. 3.25 crores inclusive of spares. This will increase the total number of its constellations to eleven.

THE PUNJAB NATIONAL BANK LTD.

The working of the Bank for the year ended December, 1956, shows satisfactory progress both in deposits as well as profits. The deposits at the end of the year under review exceeded Rs. 106 crores, registering an increase of Rs. 16 crores (or 17.8 per cent) over the previous year's figure of Rs. 90 crores. The increase in deposits during the year compares favourably with the 1955 increase which amounted to Rs. 14 crores.

The net profit of the Bank (subject to audit) for the year is Rs. 90.20 lakhs which includes Rs. 2.35 lakhs brought forward from the 1955 account. The year's profit is Rs. 20.80 lakhs more than that of the previous year's figure which was Rs. 69.40 lakhs and included Rs. 4.99 lakhs brought forward from the previous year.

During the year, the Bank opened 14 new offices, bringing the total number to 339.

THE BANK OF BARODA LTD.

The profit of the Bank for the year 1956 (subject to audit) amounts to Rs. 43,25,752 which includes in it the sum of Rs. 3,35,546 being the amount brought forward from the previous year's account. An ad-interim dividend was paid for the half-year ended June 1956, at the rate of 12 per cent per annum, free of income-tax, which absorbed Rs. 6 lakhs. The Directors have provided a sum of Rs. 15.75 lakhs for taxation and another Rs. 8.75 lakhs for bonus to staff. They have also proposed a final dividend of Rs. 4 per share, also free of income-tax, amounting to Rs. 8 lakhs. The total dividend for the year thus amounts to 14 per cent. The balance of Rs. 4,75,752 has been proposed to be carried forward.

UPPER JUMNA VALLEY ELECTRICITY SUPPLY CO., LTD.

The Company's working for the year ended March, 1956, shows that after providing for all charges, placing Rs. 9,914 to statutory Contingencies Reserve, Rs. 79,930 to Tariffs and Dividends Control Reserve, Rs. 45,518 to General Reserve and bringing forward Rs. 31,490 from the half-year ended March, 1955, and deducting Rs. 31,094 in respect of dividends paid for the half-year ended September, 1955, there remains a balance of Rs. 65,585 available for distribution. The Directors have recommended the following disposals: Payment of a dividend at 10 per cent per annum, free of income-tax for the half-year ended March, 1956, which absorbs Rs. 24,875. An additional payment of two annas per share, also free of income-tax which takes away another Rs. 6,219. The balance of Rs. 34,491 is to be carried forward.

The Company has maintained a steady progress both in units sold and revenue earned during the last three years. The figures for March of each year 1954, 1955 and 1956 are: Units sold — Rs. 7,418,260, Rs. 8,947,732 and Rs. 10,430,517 respectively. The figures of revenue are Rs. 14,34,080, Rs. 15,41,462 and Rs. 19,02,317 respectively.

With the release of additional power by Hydel, enabling the Company to connect many additional consumers during the year, considerable improvement has occurred in the revenue position. Extensions and strengthening of mains and services will need to be made for which the Company is considering to incur a capital expenditure of Rs. 5 lakhs.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
April 1956 ..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May ,, e ..	350.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
June ,, e ..	366.4	479.5	391.8	377.6	518.6	398.0	91.2	100.5	85.2	125.1
July ,, e ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August ,, e ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, e ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, e ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November ,, e ..	411.2	513.9	416.2	389.9	588.8	427.5	90.1	100.2	82.0	122.9
Week Ending										
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
1-12-1956 ..	422·6	514·2	420.4	386.4	590.5	431.5	89.9	100.1	81.0	121.4
8-12-1956 ..	419.1	510.8	418.6	386.1	591.7	429.4	89.8	100.1	80.9	118.7
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	80.9	117 0
22-12-1956 ..	416.7	522.3	416.3	388·6	590.6	430.7	89.7	100.0	80.5	115.2
29-12-1956 ..	392.0	520.2	415.8	387·1	589.3	421.9	89.7	100.0	80 2	114.5
5-1-1957 ..	382.4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80 3	113.4

e Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Lucknow†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	288	308	243	132	339	471	372	146	309	168	136	134
1941	292	307	248	132	346	478	377	151	323	164	138	138
1942	298	313	257	132	349	434	372	153	325	165	145	138
1943	314	330	261	142	370	451	391	166	334	167	160	144
1944	321	337	250	143	351	441	360	150	330	151	154	141
1945	346	362	275	140	349	453	367	151	351	147	156	145
1946	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	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
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	148
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											
	18-1-1957			11-1-1957			4-1-1957			28-12-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	107-12	105 11	106-15	105-14	104- 2	104-12	104-15	103-14	104- 5	105- 5	103- 3	104-11
Silver (per 100 fine tolas)	182- 2	179- 7	181- 2	180- 6	175- 4	177- 8	175- 1	173- 7	174-15	174-12	172-14	174- 0

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,98	265,62**	1,253,86
	(5,58)	(---)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36*	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
April 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40.02	594,24	634.26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450 65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1 443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
Week Ending										
7 12-1956 ..	1,464,08	9,71	1,473.79	117,76	447,30	565,06	38.2	123,38	785,35	1,473,79
14-12-1956 ..	1,466,86	6,82	1,473,68	117,76	447,30	565.06	38.2	123,27	785,35	1,473,68
21-12-1956 ..	1,465,50	9.36	1,474,86	117,76	447.30	565,06	37.0	124,45	785,35	1,474,86
28-12-1956 ..	1,466,07	9,14	1,475,21	117,76	447,30	565,06	38.3	124,80	785,35	1,475,21
4-1-1957 ..	1,481,52	7,55	1,489,08	117,76	447,30	565,06	37.9	123,76	800,25	1,489.06
11-1-1957 ..	1,495,21	13,16	1,508,38	117,76	447,30	565,06	37.6	123 06	820.25	1,508,38

BANKING DEPARTMENT

Rs. Lakhs

PERIOD	DEPOSITS					Other Liabilities †	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2.62	406.95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	8,14	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	33,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,33
1953-54* ..	105,44	23,40	46,52	57,45	232,80	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
April 1956 ..	56,21	30,15	52,14	17,16	155,66	58,82	214,48	16,12	13,35	54,43	1,34	65,52	45,55	18,16
May ,, ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43.55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5.89	52,88	12,16	130,15	44,03	184,18	27.46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
Week Enbing														
7-12-1956 ..	52,36	14,04	51,46	14,17	132,03	131,36	273,39	9.80	8,55	91,01	5,20	84,57	60,19	14,03
14-12-1956 ..	51,69	11,20	54,26	13,62	130,77	134,46	275,22	6,98	10,53	85,63	8,09	89,44	60,53	14,03
21 12-1956 ..	55,56	9,45	52.33	13,35	130,78	145,79	276,47	9,54	3,73	86,57	7,41	93,81	61.36	14,06
28-12-1956 ..	57,24	8,00	58,09	13,87	137,20	147,45	284,66	9,33	3,30	82,61	7,27	106,04	61,82	14,30
4-1-1957 ..	54,34	13,93	58.34	13,42	130,02	146,42	276,45	7,76	2,99	81,07	7,75	99,96	62,53	14,39
11-1-1957 ..	54,00	4.94	56.25	13.11	128.30	146,44	274,76	13.36	1.97	80.30	8,00	106.60	44.48	14,44

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
April 1956 ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150,94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June ,, ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8 00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
14-12-1956 ..	655,67	459,71	1,101,26	36,18	50,88	7.91	605,50	171,70†	70.57	365,33
21-12-1956 ..	646,72	459,86	1,094,29	35,29	50,78	7.87	618,76	165,05†	71.63	364,83
28-12-1956 ..	654,19	459,50	1,101,75	38,33	52,66	8.26	622,91	165,55†	71.56	364,75
4-1-1957 ..	646,80	457,79	1,095,32	37,52	48,26	7.83	635,90	165,80†	73.19	364,46
11-1-1957 ..	653,16	456,84	1,103,36	35,21	50,72	7.79	645,46	162,97†	73.27	362,42

* 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 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	+263,69
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	−36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	−41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	−12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10,54	−26,79*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

JUTE STATISTICS

JUTE CROP FORECASTS
(Government of India & East Bengal)

	Prelim. Area (000) acres	Final Forecast		
		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	3.58
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	2.88
East Bengal	7,89	7,60	25,03	3.29
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
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	16,35	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	8,91.5
1953-54 ..	3,90.4	4,44.8	8,65.7
1954-55 ..	3,99.2	5,57.5	9,94.8
1955-56 ..	4,03.0	6,22.9	10,95.0
1956 February ..	32.0	54.7	92.8
March ..	34.8	57.8	99.3
April ..	32.9	55.0	93.1
May ..	35.8	59.6	101.7
June ..	35.0	57.3	98.9
July ..	34.3	52.9	94.1
August ..	35.4	48.2	89.6
September ..	35.5	43.8	84.5
October ..	34.7	40.5	80.4

SUPPLY AND DISTRIBUTION OF JUTE
1954-55 & 1955-56

Supply	1954-55 lakh bales	1955-56 lakh bales.
OPENING STOCKS—		
I. J. M. A. Mills godown stocks		
a. West Bengal Mills .	10.89	8.66
b. Mills outside West Bengal (estimate)	0.43	0,41
Indian Carry Forward (estimate)	7.10*R*	2.60
Pakistan Carry Forward (estimate) ..	16.90*R*	5.10
	35.32	16.77
Indian Union Jute crop (trade estimate) ..	42.40*R*	50.50
Pakistan crop (Trade estimate)	47.40*R*	72.50
Total Supply ..	125.12	139.77
DISTRIBUTION :-		
Mill Consumption :-		
1. I. J. M. A. Mills (estimate) ..	58.63	64.24
2. Outside Mills (estimate) ..	2·13*R*	2.33
	60.76	66.61
Indian Domestic Consumption (estimate) ..	2.10*R*	2.00
Pakistan Exports Overseas (estimate) ..	39.08	42.70
Pakistan Dtic Consumption omes(estimate) ..	6.90*R*	7.00
Total Distribution ..	108.84	118.31
Carry over at end of season ..	16.28	21.46

(R) Revised.

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 B. Twill (Ready)
	Middle	Bottom	Middle	Bottom			
	Rs. per md.		Rs. per md.		Rs. per bale	Rs. per 100 yds.	Rs. per 100 bags
1956	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
4nd 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
2rd July	31 8	28 8	34 0	31 0	185 0	38 2	103 14
9th ,, ...	30 8	27 8	34 0	31 0	190 0	38 14	105 10
16th ,, ...	30 0	27 0	34 0	31 0	180 0	38 6	102 14
24th ,, ...	29 8	27 0	34 0	31 0	180 0	38 9	103 8
30th ,, ...	30 0	27 8	34 0	31 0	185 0	38 4	103 14
6th August	31 0	28 8	34 0	31 0	185 0	38 12	105 8
13th ,, ...	30 8	28 0	33 8	30 8	185 0	39 0	104 12
20th ,, ...	30 8	28 0	33 8	39 8	185 0	40 6	107 6
27th ,, ...	32 0	29 8	36 0	33 0	195 0	42 8	110 14
3rd September	31 8	29 0	35 8	32 8	210 0	42 7	111 4
10th ,, ...	31 0	28 8	35 0	32 0	190 0	43 9	113 10
17th ,, ...	33 0	30 8	36 8	33 8	200 0	43 14	114 12
24th ,, ...	31 0	28 8	35 8	33 8	195 0	43 2	113 14

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	85
1951	89	89	97	97	104	100
1952	94	97	99	100	101	102
1953	100	100	100	100	100	100
1954	106	102	100	99	100	100
1955	105	106	100	98	100	104
1955 May ..	106	105	100	97	100	103
June	105	107	100	96	100	103
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	105
December	103	110	100	98	101	106
1956 January	104	109	100	98	102	106
February	105	109	100	98	102	107
March	105	111	100	99	102	108
April	106	112	100	100	103	108
May	106	112	101	101	104	108
June	106	112	102	101	104	108
July	105	112	102	101	104	108
August	106	112	102	102	104	108
September	—	—	102	104	105	109

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	+3.8
Wheat	Final	1955-56	29,225	+6.2	8,348	—4.9
Jowar	Final	1955-56	42,721	—1.7	6,940	—23.7
Bajra	Final	1955-56	27,025	—3.4	3,400	—0.6
Maize	Final	1955-56	8,909	—4.3	2,519	—14.3
Ragi	Final	1955-56	5,607	—1.5	1,844	+12.0
Barley	Final	1955-56	8,145	—2.0	2,721	—5.2
Gram	Final	1955-56	22,902	+3.9	4,865	—9.8
Sugar cane	First	1956-57	4,717	+16.0	..	
Oilseeds						
i. Edible—						
Sesamum	Second	1956-57	4,011	—6.3	..	..
Groundnut	First	1956-57	8,955	+16.0	..	..
Rape & Mustard ..	Final	1955-56	6,262	+3.9	832	—18.3
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	First	1956-57	14,602	+10.8	..	..
Jute	First	1956-57	1,634	+14.7	..	..
Other Crops:						
Tobacco	Final	1955-56	921	+8.9	259	+6.1
Potato	Final	1955-56	693	+5.3	1,839	+5.9

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			
							June	July	Aug.	Sept.
Coal ..	'000 tons	..	3019	2987	3,064	3,184	3,194	3,165	3,308	3,123
Sugar ..	,,	113.1	124.5	107.6	84.0	132.9	60.0	7.3	3.5	8.8
Tea ..	Million lbs	..	51.2	50.7	53.7	55.2	83.2	88.1	108.6	103.9
Cigarettes ..	Lakhs	20208	16766	15353	16,523	19,024	21,680	23,350	23,010	..
Cotton yarn ..	Lakh lbs	..	1208	1255	1,301	1,362	1,370	1,453	1,403	1,462
Cotton cloth ..	,, yds	..	3832	4,065	4,165	4,244	4,514	4,670	4,383	4,656
Jute ..	'000 tons	..	79.3	72.4	77.3	85.6	98.9	94.1	89.6	84.5
Woollen Manufactures	,, yds.	2000	..	..	1,146	1163	1,452	1,436	1,553	1,553
Plywood ..	,, sq. ft.	11800	7545	5100	6,481	9,210	10,281	10,635	10,027	7,876
Paper & Paper Boards	Tons	17658	11459	11642	12,944	15,407	15,737	16,746	16,253	16,120
Sulphuric Acid ..	,,	19875	8007	9091	12,573	13,850	13,811	13,316	16,015	..
Caustic Soda ..	,,	4692	1422	1909	2,442	2,854	3,200	3,294	3,171	3,225
Soda Ash ..	,,	7500	3894	4739	4,024	6,439	5,941	4,536	6,308	7,622
Chlorine Liquid ..	,,	1735	520	678	815	965	1,171	1,194	1,236	..
Bleaching Powder ..	,,	1220	66	162	244	225	312	347	455	446
Bichromates ..	,,	543	122	209	270	244	269	299	300	..
Superphosphates ..	,,	22152	3888	4025	8755	6,180	7,468	8,061	8,362	..
Ammonium Sulphate ..	,,	39196	18359	26,635	28,352	32,758	25,173	33,002	33,259	..
Paints and Varnishes ..	,,	5400	2681	2671	3,068	3,253	3,540	3,155	3,524	3,424
Matches (cases)† ..	Thousand	58.8	51.6	51.5	44.1	51.3	53.9	51.6	51.0	..
Sheet glass (sq.ft.) ..	,,	8440	753.6	1898.9	2759.4	3240.3	1,431.7	2,814.4	4,259.6	3,197.5
Cement ..	,, tons	395.3	294.8	315.0	366.5	373.9	414.8	395.5	397.6	400.2
Refractories ..	,,	27.5	20.3	19.0	20.0	22.9	26.8	27.5	27.7	26.1
Pig-Iron ..	,,	185.1	140.4	137.9	149.4	146.4	133.6	149.6	147.0	..
Steel Ingots and Metal for Castings ..	,,	128.5	131.5	125.6	140.4	142.0	133.2	145.5	142.0	..
Aluminium ..	Tons	625.0	297.2	313.2	407.2	602.1	627.6	660.8	413.5	214.8
Copper ..	,,	600.0	506.6	410.0	596.8	606.8	594.0	640.0	675.0	680.0
Lead ..	,,	500.0	94.3	141.2	149.0	186.2	207.3	260.0	143.1	182.2
Hurricane Lanterns ..	Thousand	416.9	293.6	359.4	415.6	457.3	472.6	468.1	464.1	454.0
Enamel-ware (pieces) ..	,,	2500.0	640.9	790.3	1248.1	1309.7	1,347.2	1,343.2	1,340.0	..
Diesel Engines ..	Nos.	1847	354	310	721	852	922	1,113	973	935
Sewing Machines § ..	,,	3875	4170	5202	6683	8,456	10,162	10,308	10,125	10,835
Machine tools (value) ..	'000 Rs.	..	369.8	367.3	416.9	620.0	622.9	698.6	654.5	..
Dry Cells ..	Lakh	187.0	108.5	123.7	123.9	134.2	159.4	177.8	172.9	180.3
Storage Batteries ..	Thousand	24.2	13.2	14.7	15.7	19.6	25.9	26.6	24.9	25.7
Electric Motors ..	,, H.P.	16.7	13.1	13.5	15.6	21.0	30.4	31.7	29.1	30.8
Power transformers ..	'000 K.V.A.	31.5	17.9	25.7	33.3	47.1	75.0	71.7	78.9	75.8
Electric lamps ..	Thousand	2433.3	1740.0	1647.3	1923.0	2019.5	2,470.8	4,651.0	2,559.7	2,567.8
Electric Fans ..	,,	24.8	16.3	16.6	19.9	23.5	29.3	28.1	26.6	25.7
Bicycles ..	Nos.	52,300	16,413	22,014	31,030	40,931	58,573	56,470	54,964	..

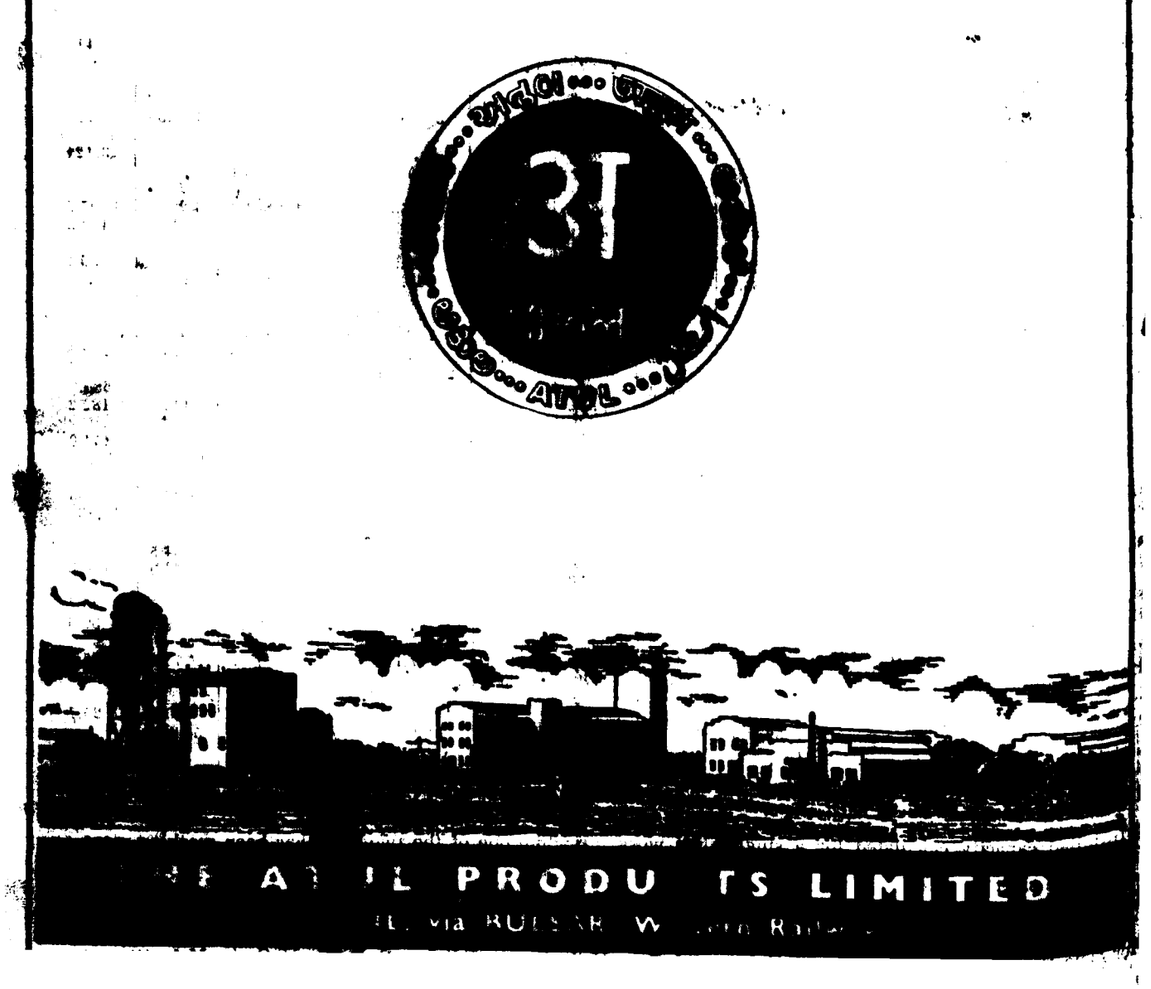
† 50 gross boxes of 60 sticks each.

§ 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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World Bank Loan for Railways

THE team of the World Bank's consultants on railways arrived in this country this week. It is currently engaged in a preliminary discussion of its survey of operations of Indian railways in certain sectors which have been selected for priority in the Bank's assistance. Initial exchange of views has prepared the ground for this investigation. A delegation on behalf of the Railway Board was deputed to the United States about three months back to appraise the Bank of the urgency of immediate finance for the railway investment programme. The mission of consultants which has now come here is the outcome of this exchange of views. There is ample assurance in Mr. Eugene Black's letter of November 15 last to Mr. T. T. Krishnamachari that the Bank will accord very sympathetic consideration to the requirements of the railways. The technical assessment which the experts have been asked to make will form the basis of the Bank's first loan for the railways in their programme of development during the second Plan. It is proper, therefore, that the picture should be viewed in the right perspective.

The railway development programme was drawn up on the assumption that the increase in

freight traffic during the second Plan, expressed in terms of originating tons, would be of the order of 61 million tons. Due to the imperatives of rationing the anticipated resources in finance, provision was made to raise the capacity of the railways to carry additional traffic of 47 million tons over the five years. About 40 million tons of the allotted increase will be absorbed by the movements of coal and raw and finished materials of the steel factories. Cement is another basic material for which provision has been made in this allotment of increased capacity, but not to the full extent as now transpires. The revised estimates of freight traffic show that the increase will be of the order of 75 million tons primarily on account of the higher targets prescribed subsequently for production of food and cement. The Railway Ministry's demand for an outlay of Rs. 1,350 crores, on the basis of the original estimate of traffic, was cut down by about 17 per cent to Rs. 1,125 crores. Considering the latest assessment of the magnitude of the demand on rail capacity, elaboration will hardly be needed to bring home the intensity of pressure on the railways.

The Bank's loan will be related to the foreign exchange requirements of the development programme. These requirements have been placed at Rs. 425 crores in the Plan on the broad allocation of Rs. 163 crores for locomotives and freight wagons, Rs. 125 crores for specialised types of rolling stock and Rs. 137 crores for steel. About Rs. 40 crores of the allocation for steel represents quantities to be procured at actual import costs outside the Steel Equalisation Fund. The indigenous potential of manufacture of railway equipment has been exploited to practicable limits as in the case of raising locomotive and wagon production capacity. The prospect of seeking further relief in this direction during the Plan period is negligible. This is, therefore, the irreducible minimum of the import component of the railway programme. Since the Plan was prepared, global prices of steel have been moving up and indications are that the upward trend will extend well beyond 1958. The element of increased import prices is an important factor which will need due weight in the assessment of help for the railways. During the current licensing period of January-June, railways have been called upon to hold back their import expenditure due to the small size of the margin of foreign exchange that can be drawn upon. This is a jerk in the import schedule which anticipates a reasonable phasing of orders and deliveries. It need not, however, be apprehended that the procurement programme will be actually slowed down, if the Bank's loan is made available in a substantial size. Expansion of transport is basic to the development of other sectors of the economy and transport has always been approved by the Bank as a priority object of its assistance.

The quantum of assistance will be determined by the technical appraisal which the Bank's consultants will place before it. It is essential, therefore, to examine how the performance of railway operations lends itself to a claim on the Bank's resources. It is common knowledge that the first Plan by and large saw the completion of the rehabilitation of railways after the abnormal depreciation of assets and equipment consequent on war-time and post-partition strains and stresses. Meanwhile the density of traffic is rising. It is second only to that in the United States in respect of freight traffic; but the combined freight and passenger traffic density on Indian railways is the highest in the world. In spite of the disparity in the growth of traffic density and expansion in provision of rolling stock and equipment, Indian railways are rendering a creditable account of improvement in their operating efficiency.

Certain indices of performance on the broad gauge, which accounts for 80 per cent of the freight traffic, serve as positive proof of progress in efficiency standards. Train miles per route mile operated in 1955-56 on Indian railways were 8,321 which compared with 3,444 in the United States. Net ton miles per track mile is a vital index which shows that Indian railways recorded performance of 1,152,480 as against 1,331,717 in the United States, 665,200 in West Germany and 978,075 in South Africa. Their achievement of 46.6 wagon-miles per wagon-day in 1955-56 is impressive in the sense that operations have been raised to the war-time pitch without anything like the rigorous war-time controls on traffic. Passenger traffic operations have attained similar levels and it ought to be remembered that the Railway investment programme provides for only half of the expanded capacity required in the passenger sector on conservative estimates. In other important spheres, including primarily more intensive utilisation of stock, railways are stabilising their performance at higher efficiency levels. While continuous improvement in efficiency has been counted upon as a factor in raising capacity, real and major relief must come from increased outlay.

A situation has emerged which demands that development projects involving appreciable expenditure of foreign exchange must be allotted priorities consistent with their urgency. Coal and steel programmes unquestionably come on top of all—a fact which is clearly recognised in the Plan itself. The Rourkela and Bhilai units will go into production in 1958-59, but even prior to that in 1957-58 their raw material stocks will need to be built up on the spot. The next year will see TISCO and IISCO exerting pressure on traffic as their expanded capacity is put into commission. Meanwhile, movements of coal in full train loads will be mounting up steadily. Steam traction has reached the saturation point in the coal area and precisely for this reason electrification has claimed first priority in the region. AC electrification of lines will reduce operating costs by 13 per cent in relation to steam locomotives and 6 per cent in relation to diesel locomotives. In the intervening period before the gains in capacity and costs resulting from electrification are realised, a fleet of 100 diesel engines involving an outlay of Rs. 13 crores is the only answer to the demand for higher capacity. This fleet can be used later as a standby to relieve congestion arising from time to time on different lines. In the steel belt new line construction of 220 miles is an imperative necessity. Doubling of track on the Bina-Bhopal, Ratlam-Godhra and Madras-Bezwada sections is called for in the immediate future. These projects together with programmes of rationalisation of marshalling yards and signalling equipment form the first stage in railway development.

The Bank's initial loan will be needed, on reasonable expectations, to finance the import cost of these projects. Positive indications of the size of the loan, it is presumed, will be available in June this year. Already a year and a quarter of the present Plan period will have elapsed by that time. It is indeed urgent that preliminaries should be expedited to cut delays which involve risks of retarding the progress of other programmes.

Fair Deal for Automobiles

DARING private enterprise and State protection alike have made the Indian automobile industry what it is today. Its performance has won deserved recognition at the hands of the Tariff Commission and the Government of India. That the industry has progressed to a stage at which the six approved manufacturing concerns have an annual assembling capacity of very nearly 50,000 vehicles, is no mean achievement in the context of heavy odds in a highly competitive field. It is, again, remarkable that the sales of locally assembled cars and trucks by approved manufacturers have reached in 1956 annual rates of about 12,500 and 17,500 respectively as against 700 and 300 in the case of other assemblers and 500 and 125 respectively by way of imports.

From the point of view of the future progress of the industry, the Commission's recommendations regarding automobile prices would have to be considered crucial and important. The Commission was required to determine the fair ex-works and selling prices of motor vehicles manufactured in the country. The problem of fair prices was not squarely faced in the recent past although a system of price control was in operation. This system involved the fixing of prices at the levels voluntarily suggested by the manufacturers themselves. Under this system the question was not considered whether the control prices were fair in relation to the actual costs of production of the firms concerned and to the rates of profit which could be considered fair in each case. The Government sanctioned in due course *ad hoc* increases in most cases on the basis of increases in the landed costs of the vehicles concerned. But when in some cases the price increases were claimed on the ground of higher costs of production of indigenously produced components, the question of price fixation was referred to the Commission. In facing this problem the Commission has had to keep two conflicting considerations in view—namely, the need for encouraging automobile manufacture in such a way that despite the increase in costs involved there would be no losses or **undue** reduction of profits and, on the other hand, the desirability of maintaining prices as low as possible in order to foster the demand for automobiles. It is commendable that the Commission has been able to suggest a proper solution for this difficult problem.

How the Commission has reached the conclusion that "the choice as regards the timing of the necessary price adjustments is best left to the manufacturers themselves", need not be considered here in all its logical and factual details. Suffice it to say that the Commission has made a clear distinction between 'fair prices', which cover the cost of production and leave a fair margin of profit, and 'maximum prices' which may be equal to or above fair prices and that if the fair prices themselves were to be maximum prices in the case of the automobile industry, the manufacturer would have no chance to make up the loss or the shortfall in his fair profits in the event of the actual prices happening to be lower than the fair prices. The existing conditions in this industry are that there is still a considerable amount of internal competition despite the elimination of foreign assemblers and each manufacturer has to maintain his prices at a strictly competitive level (as, for example, in the case of the Hindustan *Landmaster* which, the Commission has found, is actually being sold at a loss) in the interests of maximising his business but that, at the same time, each manufacturer is expected to push forward his programme of manufacture of components thereby increasing his costs. In view of these conditions, there is great risk of the manufacturer receiving less than fair prices, and so the adoption of fair prices as control prices is rightly considered not feasible. The Commission has, therefore, recommended a flexible system under which no maximum prices are fixed, but, subject to a general obligation not to charge excessive prices, the manufacturers are left free to vary prices according to variations in costs.

Although the Government have accepted the Commission's recommendations, they have done so with some qualifications. These conditions are that a month's notice of any variation in prices should be given to the Government, that such variation should be *prima facie* reasonable and that the net dealer prices—the ex-factory prices charged to the dealer—should not exceed the ex-works costs by more than 10 per cent. These conditions are not unreasonable in the context of the long-term interests of the industry. There is, perhaps, reason to believe that the Government would easily accept variations in prices if the approved manufacturers maintain their cost data in meticulous detail to enable the costs of production of individual assemblies as of complete vehicles to be easily ascertained. Such data are bound to be convincing in the eyes of the Government even as they have been in the eyes of the Tariff Commission.

That an industry of the dimensions of the automobile industry has not only to be protected for some time longer against foreign competition but enabled to work at a fair level of profitability, has been fully appreciated by the Tariff Commission in its report and to a large extent by the Government in their resolution on the Commission's recommendations. The Commission has rightly recommended and the Government have promptly resolved that protection granted in 1953 should continue for a period of 10 years. This is good so far as it goes. It is, however, rather unfortunate, though not altogether strange, that the Government have rejected the Commission's related proposal that, in order to give priority to the manufacture of the more essential components like the engine, transmission and axle, import duties on them should be raised, while those on the less important items should be lowered. This rejection is explained on the ground that the recommended change in tariffs is not necessary *at this stage* when the domestic industry is sheltered to a very considerable extent by restrictions on imports. And this explanation is also strengthened by the Commission's recommendation that in the grant of import licences for components special weightage should be given to firms which show the maximum progress in indigenous manufacture. As the Government also favour this course, conversion of existing revenue duties in respect of

the said components into protective duties is not considered immediately necessary. The Government have, however, committed themselves to such conversion, by recourse to the powers under Section 4(1) of the Indian Tariff Act, if *at any time* such a course appears to be essential.

The question is how the present time can be considered inopportune for the purpose. As the Tariff Commission says, "there are significant differences in the competitive positions of different manufacturers at present. Under the manufacturing programmes as approved by Government, some have undertaken, and/or implemented, less onerous obligations than others; those who are importing a larger proportion of their vehicle, and whose costs are therefore comparatively lower, are able to quote more competitive prices than others who have deleted a larger proportion of their c.k.d. pack; and the current import control policy also, with regard to the volume of imports permitted to approved manufacturers, allows full scope for competition between them in spite of the differences in their competitive position in the above respects". The indigenous manufacturing costs of engines, transmission and rear axle in the case of two approved manufacturers, namely, Hindustan Motors and Premier Automobiles, compare very unfavourably with the landed costs ex-duty of such components. In the case of Hindustan Motors, the indigenous replacement costs of the rear axle and the engine for the passenger car *Landmaster* are Rs. 508 and Rs. 1,408 respectively as against the landed costs ex-duty of Rs. 358 and Rs. 1,035 of the respective components; the indigenous replacement cost of the engine for the *Studebaker truck* is Rs. 3,122 as against the landed cost ex-duty of Rs. 1,365 of that component In the case of Premier Automobiles, similar large differences between the indigenous replacement costs and the landed costs ex-duty of the engine and the transmission for their trucks and of the engine for their passenger car are bound. There can be no doubt, therefore, that some concerns would be more disadvantageously placed *even currently* in their internal competition with others. Although Government have not considered it necessary to convert the revenue duties concerned into protective duties immediately, they ought to do it a little later in the context of their own admission that "the existing rates of duty are inadequate for protecting the industry".

Universities: A New Look?

THE year of grace 1957 bids fair to be a momentous year for India, what with its projected or performed celebrations of four centenaries. While the centenary of the first War of Independence (miscalled the 'Sepoy Mutiny') is due to be celebrated this year, the centenaries of the founding of the Universities of Calcutta and Madras have just been celebrated with great eclat and the centenary celebrations of the Bombay University are just impending. It was no mean historical coincidence that the year (1857) which saw the ruthless suppression of a great national uprising also laid the foundation for a system of liberal education which, a hundred years thence, stands as one of the greatest bulwarks of democracy in this country. If the innumerable affiliated colleges of the three oldest universities have, in the twenties, thirties and forties of this century, shared in the general ferment accompanying the movement for national liberation, they now share in the general thrill of building a new India on solid democratic foundations.

The University of Calcutta has been the first to celebrate the centenary — with President Rajendra Prasad most appropriately inaugurating it. It was still more appropriate that the President suggested, on the occasion, to the Universities in India to take up the screening of students at a suitable stage and diverting those aiming at jobs in one direction and those with a genuine desire in learning and research in the direction of universities. No wiser words could have been uttered on the occasion, for the fact remains that our universities have been singularly unconcerned with the problem of educated unemployment which is, in part at any rate, the result of the kind of scholastic education they have been imparting all along.

If the University of Calcutta has been minting degrees at an alarming rate, the University of Madras has a no less prolific record in this regard. This, however, is no slur on these universities nor does it detract from the healthy influence they have steadily exerted over the intellectual and academic life of the country. Neither does it detract from their valuable contribution to the permanent administration which has been manned by successive sets of graduates of high calibre and character. For, it can be rightly claimed that the fairly high degree of administrative efficiency in India is largely due to "the self-effacing and hard-worked university graduate in, or promoted from, the non-gazetted services." And it can be further claimed that the "habit of fidelity and responsibility acquired and forged into a tradition by three generations of devoted workers (graduates) enabled the swift transition from subordination to independence to be carried out with a minimum of dislocation."

While all this may redound greatly to the credit of our universities, the fact remains that most of the graduates *now* being sent out by them are not fit to be absorbed straightway (even if there are openings for all of them) in the services of a welfare State with its ever-expanding activities in the context of economic planning. Although the universities cannot be held directly responsible for any educated unemployment, their possible failure to appreciate the need for reorienting their system of education to the needs of successive Five-Year Plans which alone can absorb the educated in a wide range of gainful occupations, may reflect adversely on their capacity to change in unison with changing social and economic values and compulsions. Will our universities come to have a new look by the end of the second Plan?

what the eye doesn't see...



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THE WEEK'S NOTES

COMING ELECTIONS IN INDIA

INDIA, THE youngest though the biggest democracy in the world with a 193 million electorate, will go to the polls in stages from February 25 to March 14. The first stage of the country's second General Elections was completed in all the States, except West Bengal, when more than 15,000 persons filed their nomination papers on Tuesday for 458 Parliamentary and 2,340 State Assembly seats. Though a complete picture will be available only on February 9, the last date for withdrawal, it seems certain that the number of candidates per seat will be more than it was during the first General Elections.

This time the number of seats in the State legislatures has decreased from 3,233 to 3,102. The shortfall has been caused mainly by the abolition of Part B and Part C States which enjoyed weightage in terms of seats allotted to them. Partly this is due to the fact that, except in the Telangana area and in two constituencies, no elections are to be held in Andhra State, where elections were held only two years ago.

Thanks to the simplification of the Election Law, under which there can be no large-scale rejection of nomination papers on technical grounds as earlier, the chances of multi-cornered contests have become greater still. At the time of writing, this none-too-encouraging prospect would appear to be a certainty. As the table given below would show, excluding the independents, there are as many as five "all India parties" in the field.

NUMBER OF SEATS TO BE CONTESTED

Name of Party	Parliament (a)	State Assemblies (b)
Congress	481	2,871
Communist	140	730
Praja-Socialist	180	1,300
Jan Sangh	100	1,000
Socialist	35	309
(a) (i) Total number of seats ..	500	
(ii) Number of seats where election is being held ..	494	
(b) (i) Total number of seats ..	3,102	
(ii) Number of seats where election is being held ..	2,996	

The ruling Congress Party is the only party which is contesting almost all Parliamentary and State Assembly seats. The re-integration of splinter groups like Krishak Lok Party and the Akali Dal with the Congress has given it a cohension it seemed to lack until recently. In contrast the Opposition is divided and ineffective. The Praja-Socialist Party has split into two, and confusion is rampant amongst the Communists.

COMMONWEALTH STANDARDS CONFERENCE

THE THIRD quinquennial Commonwealth Standards Conference currently being held in New Delhi marks a welcome departure from the previous conferences inasmuch as it is for the first time held outside London and has on its agenda four technical sessions besides the general session. The technical subjects under discussion include steel, electrical equipment for machine tools, requirements for domestic electrical appliances and cables which are topical as well as of common interest. Unlike many other Commonwealth countries, India has a long way to go before its internal production of steel can match its increasing requirements. It is vital, therefore, to utilise the limited resources as efficiently as possible. It will be recalled that the Indian Standards Institution, on the recommendation of the Planning Commission, is operating a comprehensive project for steel economy, covering almost all aspects of production and utilisation of structural steel through standardization. The present discussions are expected to lead to closer co-ordination and concerted action in this field among the Commonwealth countries. Also, the exchange of information and experience regarding improvements in the quality and design of steel as well as newer techniques should be of considerable interest and use. As the multi-purpose projects and other schemes of electricity expansion have gradually commenced to bear fruit, the demand for electrical and allied goods and their manufacture is bound too multiply. Much can be added to the technique of eliminating risk and waste both in home and in the factories and the country can profit from the deliberations of the technical experts drawn from various countries.

Under general subjects, among the more important are those covering the metric and inch-pound systems, certification marking, modular co-ordination and standards for consumer goods. All these are of particular interest to this country. India has decided to change over to the metric system and though it is not entirely unlikely that most other Commonwealth countries may eventually adopt a similar course, there is very little prospect of such a change in the foreseeable future. It is imperative that any upsets in the prevailing trade practices are prevented, and emphasis has to be placed on the need for evolving suitable means of reconciliation on the basis of existing practices and requirements. It is to be hoped that the present Conference will provide a ground for compromise on this complex question which may ultimately lead to a broader agreement covering other countries of the world. In the field of production and employment, small-scale industries are expected to play an important role. Standardisation has much to do in encouraging and promoting such industries by not only prescribing standards for raw materials but also for finished products in order to make them more acceptable in the home as well as export markets. Any assistance towards this aim from the Conference should be welcome in this country.

F.A.O. DIRECTOR'S SUGGESTION

THE GOOD work being done by the U.N.'s subsidiary organs in the economic and social spheres has been steadily growing, and here the Food and Agriculture Organisation takes a prominent place. Especially the under-developed countries have reasons to look forward to this body for necessary assistance in relieving hunger and famine. It is true that the only cure for chronic food deficiencies in many of the less developed countries lies in increasing agricultural production and economic development which should be supported by suitable international economic assistance through long-term loans, development capital, technical assistance and so on. But apart from this, the idea is now gaining ground for the establishment of a world food reserve for international relief of food shortage. It is in this context that the recent United States proposal in the U.N. Economic and Social Committee for strengthening national reserves in under-developed countries gains interest. The plan in the main calls for consultations between importing and exporting member-countries for promoting the use of surplus foodstuffs in building up national reserves. This would help in meeting emergency situations, prevent excessive price increases arising as a result of failure in local food supplies and from increased demand due to the tempo of economic development. This proposal will certainly go a long way in helping the under-developed countries in their economic development programmes.

While national development and protective action are very important from the long-term point of view, there is at the same time need for emergency relief

in meeting food shortage in various countries. Here, the Director-General of F.A.O., Mr. B. R. Sen, has made a very useful suggestion for the establishment of a high-powered operations committee consisting of one high-level officer from each of the interested international agencies. The Committee will eventually be given some resources of its own in earmarked reserves or funds. The idea is that this group would form a "focal point of joint responsibility" and a "world-wide alert system". It would take speedy action in detecting food shortages in any country and take effective steps in organising relief by canalising all the aid that the other existing programmes can provide. If for instance, as Mr. Sen himself explained, a government, whether donor or claimant, finds the need for urgent immediate contact with a large number of governments for speedy shipments, the committee's services can be brought into play. It will thus be a co-ordinating agency without any question of coercion. The F.A.O. Director's suggestion certainly deserves great consideration at once for its novelty as well as the possibility of effective action it holds forth. It is to be hoped that active steps will be taken in launching another step in international co-operation in meeting one of the elementary needs of man.

POLISH ELECTIONS AND AFTER

APPARENTLY, THE Polish elections have but confirmed the existing order; they were, indeed, expected to do no more. But the elections have a wider significance than this fact would seem to suggest. For the first time in 19 years, the Poles have gone as near as any Communist system would permit towards free elections with alternatives to choose from and a measure of independence to exercise the choice. More than 60,000 nominations poured in for consideration from nearly 15,000 'district' electoral Commissions. Seven hundred and twenty-three names appeared on the final list, some 50 per cent more than the 459 seats in the Sejm, the Polish Parliament. Of the candidates on the list, 50 per cent belonged to the Communist United Workers' Party, 25 per cent to the United Peasants' Party, 10 per cent to the Democratic Party, and 15 per cent to non-Party or progressive Catholic groupings.

The election results show how easily the election could have resulted in an anti-Communist vote. The Communist United Workers' Party won only 53.31 per cent of the seats—that is, 236 seats in a house of 459, thus decreasing its majority. All other parties improved their positions. The United Peasants' Party won 116 seats, as against 90 last time; the Democratic Party 39, as against 25; and independents 67, as against 37. Further, the Communist candidates polled from 90 per cent to 10 per cent of the votes instead of the usual 99 per cent votes. Indeed, the new Sejm is really new: only 83 deputies from the last Sejm have been re-elected. Thus, even though the elections were to some extent circumscribed, it would be naive to dismiss it as merely a perody of democracy.

Mr. Gomulka's victory may be accounted for by a variety of factors. Although the process of "weeding", which must have been resorted to at "district" and "area" levels, played some part, Mr. Gomulka's popularity was undoubtedly an influencing factor. The most important consideration with people was, of course, the bloody suppression of the Hungarian revolution by the Russians. Not only had Mr. Gomulka warned without mincing words that if the electorate did not vote for a reformed type of Communist rule, "Poland will be crossed off the map of Europe"; Moscow Radio also gave broad hints that only Communists could be allowed to rule Poland. The "return" to Stalinism in the Kremlin made these warnings significant. In plain language, the Polish people were told that a vote against Mr. Gomulka would result in Soviet intervention to "save" the people from a "counter-revolution". The Polish electorate was really up a Hobson's choice. The retention of national Communism was the price paid for keeping Russian tanks off the streets of Warsaw, and for saving the country from a "Hugarian tragedy".

Another factor, sometimes apt to be overlooked, is that the Poles will continue to incline towards Russia so long as Western Germany does not accept the Oder-Neisse frontier and renounce its claims to the old one. Having been forced to surrender its eastern territories to the Soviet Union, Poland must retain the former German areas where six million Poles have settled and its heavy industry has developed.

As a result of this election victory, the Poles may demand greater freedom and more relief from their country's improverished economy. This may deepen the existing crisis. Mr. Gomulka will soon have to choose between internal democracy, which is inseparable from complete independence of Moscow, and the ties with Moscow that are necessary for the Polish Communists to remain in complete power. As Mr. Milovan Djilas pointed out, the experience of Yugoslavia appeared to testify that national Communism could break from Moscow, but to retain its identity, would have to construct essentially the same system. Mr. Khrushchev seems to have reached the same conclusion. Communism with its secret police and other instruments of oppression, is inseparable from Stalinism. The victory of national Communism in Poland may be the beginning of a break from Moscow, but can by no means promise the end of internal crisis.

US DISARMAMENT PROPOSALS

AMERICA'S LATEST disarmament proposals which Mr. Henry Cabot Lodge submitted to the political Committee of the United Nations recently stand for an agreement to put all future production of fisionable materials to peaceful uses. The key proposal in the Plan is to bring the testing of inter-continental ballistic missiles and "outer space" objects under international control In addition to the aerial inspection scheme as outlined by President Eisenhower to the Geneva Summit Conference in 1955, the new plan calls for reliable inspection arrangements.

Both in terms of objective and method the American plan has much in common with the Soviet proposals of November, 1956. Both recognise the need to halt and possibly reverse the current race for larger stockpiles of nuclear weapons, to evolve a system of adequate inspection, to utilise fissionable materials for peaceful purposes, to reduce the present level of armed forces and to create an atmosphere of mutual confidence in which the major political problems of the day will be easier to solve. The only difference is that while American proposals envisage a stage-by-stage progress towards complete disarmament, the Soviet proposals favour an immediate ban on nuclear weapons and a reduction of armed forces with only a system of perfunctory control and inspection.

As to conventional arms, the figures for the optimum size of armies appear to be now fixed at 2½ million for the Big Powers and 750,000 for the Smaller Powers. The main problem of inspection, however, remains unsolved. The Americans favour aerial reconnaissance as well as inspection of key airfields, railway stations etc. The Russians on the other hand agree only to the inspection of the European mainland short of their own frontiers.

It was due to Russia's refusal to allow aerial inspection over their territory that the Geneva Summit Conference on disarmament foundered. It was again due to the same reason that the Russian disarmament proposals of November, 1956, were rejected by the Western Powers. It is unlikely that the Russians will accept the US disarmament proposals this time. Their persistent refusal to allow aerial inspection of their territory raises grave doubts about their 'bona fides'.

A Window on the World

(GREAT?) BRITAIN

By

ODYSSEUS

LONDON, January 25, 1957.

THERE IS, I gather, a fairly widespread view in India that Britain is no longer even a second rate power. This view originates in part from the continuing economic difficulties of Britain's Welfare state and in part from the revelation by the Suez adventure that Britain is no longer strong enough to enforce a policy by arms in the face of the rest of the world.

I myself have contributed something to the spread of doubt about Britain's economic staying powers by recurrent expositions here of the weaknesses of the Welfare state, with its negative ideas of equality and security for all, its pre-occupation with dividing the national income fairly rather than increasing it, its failure to grasp that every country — even a Socialist country! — must live in a competitive world, in which survival (even for Socialists) depends on raising productivity and expanding investment. In a word, the British Welfare state (like every other Welfare state in the free world) has overlooked the vital need for incentives, rewards for leadership, imagination, hard work, and high saving.

The economic record of the Conservatives in office, under Sir Winston Churchill from 1951, under Sir Anthony Eden from 1955, was far from un-impressive. Britain has paid her way during these years, but for reasons frequently outlined here (see e.g. "Money In A Welfare State", March 16, 1956. "Nationalised Industries and Inflation," Masch 23. "The Dog in the Barnyard," April 13. "The Revolt of the British Middle Classes", June 29, 1956), I never felt that the governments of either Sir Winston or Sir Anthony were capable of getting down to the positive economic requirements of an expanding economy. Sir Winston was perhaps too set in his old ways. Sir Anthony lacked first first hand acquaintance with industry and economics.

MACMILLAN AND THORNEYCROFT

Mr. Harold Macmillan's pronouncements as Prime Minister, his choice of Chancellor, President of the Board of Trade, and of the younger ministers, and not least his own personality, seem to offer reason for sober optimism.

In the course of personal encounters with Mr. Macmillan on your behalf in recent months, my feeling has grown that in him Britain has an outstanding, positive personality, full of imagination, resource, wit, and resilience, and his television broadcast this week suggested that Britain has at last found a leader who may do for her in peace what Sir Winston did for her in war.

His choice as Chancellor of the Exchequer of Mr. Peter Thorneycroft, a forceful and energetic character, whom (always on your behalf) I have also had opportunities of meeting, is encouraging. To have a man of 47 at this key post, old enough to know his job, young enough to be at the height of his powers, is happy.

Chiding prophets of gloom, Mr. Thorneycroft said this week that politically and economically Britain was still at the centre of things. "We cannot contract out of our position as a great power. We are the centre of the Commonwealth, the centre of a world-wide banking system, the sterling area, and more and more the centre of developments in Europe. And here at the centre we need a sound economy and a sound society. If the centre is sound, the rest will follow—aid to the under-developed countries, participation in the defence of the free world".

Mr. Thorneycroft then went on, in what has become routine in British political speeches, to remind voters that the UK has in the last 25 years lived through a revolution ("No bloodshed, no tanks in the streets.... a tidy revolution") which has brought about a vast redistribution of wealth, substituted full employment for mass unemployment, and expanded social security and welfare in all directions. He warned his audience not to be like those generals who are always getting ready to fight the last war. The battle of the 1930's was unemployment. That battle was over. The battle today "is much more exciting, more hopeful...." to increase the total of wealth and not to devote all attention to the shares.

Mr. Thorneycroft then expounded some of this column's favourite themes: How can wealth be increased? The password, he answered, is not "Security". The increased security of the ordinary man is a valuable gain. But it is not enough. A young man at 21 is not really inspired to go out, to risk himself, to adventure, by the thought of an old age pension at 55.

Nor is the password "Equality". "Certainly", he said, "people are equal in their right to human dignity and freedom, but their talents are not equal. The chances of getting on, even among members of the same family can never be the same, let alone the chances in the same nation. We must make sure that everybody has a chance, and a good chance too.... but that does not mean complete uniformity in schools."

THE "OPPORTUNITY STATE"

To Mr. Thorneycroft the password is "Opportunity". "We need to make the Opportunity state to match and sustain the Welfare state. We want men and women to see the opportunities ahead. If they do, they will set to work to create the new industries we need, to exploit the new inventions, to build up the national wealth and the productive power of the nation. For it is on productive power that the Welfare state itself rests."

Mr. Thorneycroft laid down that the Opportunity state must (1) be industrially competitive; (2) offer incentives and rewards; and (3) save to invest. The concept of an industrially competitive state led him to add: "That, too, is why we are pushing ahead with the idea of joining Europe in a great free trade area. If we and our friends on the Continent can get it, we will have a market of 250,000,000 people, as big as the USSR and as free as the USA, open for any manufacturer who wishes to compete for it...."

Of incentives, Mr. Thorneycroft said "We must not be afraid to reward success. Men who put in extra

effort, men who succeed in the export sales drive, men of all grades who are competitive, men who can beat their rivals abroad, men of true imagination and enterprise — let us see that these men get their reward .... This rule that success should be rewarded must apply all round — to the middle and upper ranks of management as well as to all the rest. They cannot be excluded from the ordinary rules. Success must be rewarded. If it is not, the more enterprising will seek rewards elsewhere. Moreover, success for the men who lead means prospertiy for all who follow."

Of investment, Mr. Thorneycroft said "one of the Chancellor's duties in helping investment is to keep the share that the government demands on national output as low as possible. The less the government spends in other fields, the more can be ploughed back into industry. If we are to invest, we must also save. It is encouraging that, from all the signs, last year looks a record for personal savings."

Regular adicts of this column may be forgiven a suspicion that Mr. Thorneycroft called me in to ghost-write that speech for him. But I expect the truth is simpler: one of the more alert of his aides probably sent him my "The Eastern Economist" pamphlet "Socialism Tomorrow" and marked the chapters "Higher Outputs, Higher Earnings, Wider Choices", and "The Economic Value of Unequal Rewards".

Mr. Thorneycroft explained why Britain's strength should not be under estimated. In 1956, there was an improvement of £300,000,000 in Britain's trade balance. He pointed out that the figures disproved the myth that other sterling area countries earn the dollars while Britain spends them. The increase of 25 per cent in dollar exports alone in 1956 was roughly equivalent to all the sterling area's dollar earnings in 1955 from tin and rubber. Britain's rate increase in production from 1948 to 1956 was as big as that of the USA. "Compared with 1938, our increase in productivity was the greatest in Europe, and a 30 per cent increase in Britain could be compared with one of 10 per cent in Germany".

I revert to Mr. Macmillan. What strikes me in watching him on public occasions is the resilience of his mind and the conscious purpose of his personality. What gives ground for cautious optimism is high progressive outlook.

His public utterances lead one to conclude that his objectives are to be (1) the conversion of the static Welfare into a dynamic Opportunity state ("No one should be allowed to sink below a decent level but everyone should be free to rise according to his gifts, his work, and his worth. There is nothing to be ashamed of in getting to the top....or being paid in proportion to the size of the job you do"); (2) substantial cuts in government spending, particularly, by reconsidering aims and means in defence, in order to check inflation and to expand investment, and (3) the creation of a European free trade area in hopes of securing a mass production market that will raise the national incomes of all its participants and thus provide a bigger surplus of British savings with which to nourish Commonwealth and sterling area investment.

The Macmillan team is blowing a breath of economic Spring into the British air. Of course, I may be wrong. I will not fail to keep you informed either way.

As to the meaning, from the viewpoints of Indo-British relations, the Commonwealth, Anglo-American relations, and of British foreign policy generally, of Mr. Macmillan's retention of Mr. Selwyn Lloyd at the Foreign Office, the problem is not really one of personalities but of the factors that must condition the foreign policy of any British government in 1957. The question is not whether Mr. X or Mr Y would have a better policy but: What policy is possible for Britain in today's circumstances? I plan to outline some possible answers next week.



THE RUINS OF AN ALLIANCE

(From Our Special West European Correspondent)

PARIS, January 25.

WITH that wonderful hypocrisy of which politicians and diplomats have the art, there is now being celebrated the restoration of the Atlantic friendship. Official declarations seek to suggest a touching scene of reconciliation, where the British and French promise never to do it again, and the Americans nobly admit that they too must accept some share of the blame. Nothing in fact could be further from the truth about the present condition of the Atlantic alliance. In the case of Anglo-American relations, the retention of Mr. Selwyn Lloyd in the new Cabinet, the keen British interest in European unity (see Mr. Lloyd's statements in Rome this month), and the controversy with the Texas oil producers all combine to give a true picture of present feelings across the Atlantic than do pious statements about patching up the porcelain. As for Franco-American relations, the friendly Governments of Paris and Washington are carrying on against each other whispering campaigns of a unique scurrility.

While Messrs Pineau and Dulles confer in "an atmosphere of renewed cordiality", their respective departments promote rumours which could only begin at the highest level and which are allowed to leak into the Press with a careful anonymity. The American campaign is to the effect that the State Department possesses documents which, if made public, would bring about the downfall of the present French and British Governments. You cah imagine what effects such rumours could have when circulated in the corridors of the House of Commons or the 'Assemblee Nationale'; they are well calculated to have a bearing on internal political developments in Britain and France. Whether they did in fact play any part in Sir Anthony Eden's departure, one cannot know; their efficacy in France was limited by the fact that it is impossible to have a Cabinet crisis here just before or during the Algerian debate in the United Nations. But the promotion of such stories has caused some bitterness at the highest levels of government on this side of the Ocean, and is quite inconsistent with the fable of Atlantic reconciliation.

Though intended for consumption only in Paris and London, wind of this whispering campaign got back to the United States, and Joseph Alsop had no hesitation in the 'New York Herald Tribune' in laying it at Mr. Dulles's door. The secret documents in question, we are left to suppose, concern Franco-British collusion with Israel about the attack on Egypt. If proofs of this exist (wihch is quite unlikely), they would no doubt, if published, cause the downfall of the British Government; but since Sir Anthony Eden has quit, we may suppose that is no longer an objective of American policy. Public proof of collusion with Israel would be much less likely to cause any trouble in France, not because (as some British newspapers have complacently assumed) French political morality is less exacting than British, but because full support of Israel is regarded in this country as the only honourable policy; the immorality in the case would be held in France to lie with those who are willing to leave the Jews to be exterminated by an Arab dictatorship. Thus when France was the only nation in the world to vote with Israel in the U.N. lately on the withdrawal issue, the French too much self-righteous pride in being thus isolated in virtue.

Virtuous or no, the French whispering campaign against Washington gives nothing in scurrility to the U.S. effort. It is to the effect that the documents captured when Ben Bella and the other Algerian rebel leaders were kidnapped contain proof of active American support for the bloody Algerian terrorist movement. Though nothing official has been said from the French side to confirm or deny this story, it has been allowed to leak out to selected foreign correspondents here with extraordinary circumstantiality. Thus a German newspaper lately published the version that the Ben Bella documents showed that two American petrol companies, Caltex and Aramco, had supplied the Algerian rebels with 10,000 rifles, 1,200 machine guns, 500 sub-machine guns and 600,000 grenades. Naturally, the implication was that the American oil companies are fomenting the Algerian revolt in return for promises that they will be allowed access to the considerable oil deposits of the Sahara Desert which are best approached through Algeria.

When the French Government passively permitted these inspired rumours to circulate, the U.S. Ambassador in Paris had to make himself its spokesman and announce that he had a letter from the French Government saying that they were untrue. The Government still said nothing, and the national radio here persists in announcing when Algerian rebels are captured that they were carrying American arms. The most popular conclusion is that the French Government does indeed possess some evidence of American complicity in the Algerian revolt but is willing not to publish it in return for official American voting support in the Algerian debate at the U.N. What is even more likely is that the Ben Bella documents contain all sort of wild reports which are mostly untrue; thus, there have been rumours that they contain assurances from Mr. Nehru about active support for the revolt, which means presumably that some emissary of the Algerian "national" movement has interpreted a polite interview with the Indian Prime Minister as a guarantee of positive backing.

Even if, as is probably true, all the rumours circulating on these subjects are false, the fact remains that the Atlantic powers are continuing unofficially a period of recrimination which is officially supposed to have ended. At the level of popular opinion and of the daily newspapers, the grand alliance which is represented as having been reconstituted still lies in ruins. The newspapers here are full of a vituperative anti-Americanism of a brand that used to be patented by the Communists, including even the picturesque assertion that the State Department is run by a group of oil companies. When Colonel Nasser said lately (he was promptly contradicted from New York) that he had received offers from Aramco and the Chase Bank to rent out the Suez Canal, the Continental Press was quick to recall that Mr. Hoover (who acted as Secretary of State during the Suez crisis and Mr. Dulles's illness) was a former vice-President of one of the main Aramco companies; this fact was held to explain all U.S. policy in the last six months. Similarly, Continental papers which are usually rather cynical about

British imperial misadventures are now depicting the troubles on the border of Aden and Yemen as a war waged by the U.S. companies Aramco and the Yemen Development Company (of which the diplomat George Allen is said to be president) against the British oil companies operating in the protectorates.

More serious, especially for NATO, is the anti-Americanism of the armed forces after the Suez expedition. The Alsop brothers have said that when the Franco-British invasion fleet was making for Egypt, there was serious thought given in Washington to interposing the American Sixth Fleet. The French version is that the Sixth Fleet was in fact interposed: that it sailed, as though by accident, right across the course of the invasion Armada which it thus gravely dislocated, and that this was in reality a naval engagement in which no shots were fired. Further, that the reports current at the time about Russian planes seen flying south over Turkey and Syria were calculated American inventions. We might see such American actions as justified efforts to save their allies from themselves, but soldiers think differently and the animosity thus produced is influencing NATO, which is supposed to be a harmonious military alliance where the Americans work with the French and British.

While public and official opinion remains in this condition, it is clearly premature to celebrate the repair of the Atlantic alliance. And quite apart from temporary moods, there is apprehension here about the long-range aims of present American policy which is believed to rest on a "devaluation of Europe". This policy is thought here (and this answers the reader who wrote to ask ironically "where will Africa, Asia and Europe be when Russia and America have finished with them") to have two main phases. In the first, American pressure will be exercised on the "imperialist" European powers to abandon every shred of their overseas power, and if necessary Washington will compete ruthlessly with Moscow as the uncompromising supporter of all colonialists claiming independence and all Nassers claiming national prestige against the European powers. America's European allies, principally Britain and France, will be encouraged to submit to this process of loss and humiliation, and if need be they will be subsidised to endure it; but they will not be handled softly, for the USA has to appear (as she did during the Egyptian crisis) the most determined prop of Afro-Asian nationalism. This latter force will also be subsidised heavily, as through the Eisenhower doctrine for economic aid to the Middle East or as through the expected U.S. credits to Nehru's India, in order to keep the newly independent nations within the democratic bloc.

The second phase of the operation will be to use this devoted American following of Afro-Asian nations, in conjunction with the present retinue of 19 Latin American states, to demand the winding up of Russian imperialism. Once Western imperialism is buried, Russian imperialism can be brought to book, and that will mean, as the Hungarian case suggested, the collapse of Russian Communist power. To summarise what is already so brief as to be a caricature, the programme is to get the Eden and Mollets out of Afro-Asia to permit the flowering of a garden full of Kotelawalas and Mohammed Alis who will resume the anti-Communist work begun by the two latter at the Bandung conference. Europe is being asked to see that the final result of this policy, the total defeat of Communism, justifies the admittedly considerable inconveniences of the first phase — of which U.S. opposition to the Suez adventure provided a foretaste.

This, very succinctly and of course too neatly, is what West Europe thinks it is being offered by Washington in exchange for the old Atlantic alliance which at one time was thought by Mr. Dulles to imply American support for Portugal over Goa, but which is now dead in its old form —whatever pretences are made about "patching it up".



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WORLDGRAM

AGRICULTURE

Coconut Industry Problems: A recommendation has been made to the Food and Agriculture Organization to set up a permanent study group as a forum for international consultations on world coconut economy. Major coconut producing and consuming countries which met in Colombo recently recommended that a bureau be set up for collection and dissemination of information relating to the coconut industry. The recommendations will be considered at a session of the committee on commodity problems to be held at Rome in March. The inter-Government conference agreed that some of the problems facing the world coconut industry could be solved only through regular international consultations under the F.A.O.

INDUSTRY

Certification Mark for Wrought Aluminium Utensils: The Indian Standards Institution has granted two licences; one to Messrs. Deccan Aluminium Stores, 56, 1st Bhoiwada, Bombay and the other to Messrs. Light Metal Works, New Sun Mill Compound, Delisle Road, Bombay for the use of Certification Mark on wrought aluminium utensils. The Standard Mark consisting of the monogram of the Indian Standards Institution superscribed by the number designation of the Indian standard together with the grades of the material, will certify that aluminium utensils manufactured by the firms satisfy all the requirements given in the Indian standard specification for wrought aluminium for utensils (IS: 21-1953). In order to ensure quality of aluminium utensils the Government of India have recently banned the export of aluminium utensils which do not bear the Standard Certification Mark of the Indian Standards Institution. The Indian Standards Institution has so far granted 13 licences to units making aluminium utensils and goods. A few other applications from manufacturers of aluminium utensils are at present under consideration of the Institution.

*

Increased Coal Production During November, 1956: The output of coal in India during November, 1956, registered an increase of 145,521 tons over the figure for the previous month. The output for October and November 1956, according to official statistics released by the Chief Inspector of Mines, was 3,177,706 tons and 3,323,227 tons respectively. Despatches of coal amounted 3,025,063 tons in November 1956 as against 2,940,022 tons in the preceding month. Coal stocks at pitheads amounted to 2,664,206 tons at the close of the month, as against 2,565,782 tons at the beginning of the month. During the month under review 838 collieries were reported to be working with an average daily employment of 332,155 workers. The percentage of absenteeism was of the order of 13.76. Nine coke plants at collieries and elsewhere produced 346,790 tons of hard, soft and other kinds of coke during the month and despatched 176,991 tons.

*

Basic Requirements for Water Supply and Sanitation: The Indian Standards Institution has issued a draft Indian standard code of basic requirements for water supply, drainage and sanitation for eliciting comments. The draft code lays down general requirements regarding plumbing and sanitation, quantity of drinking water required for domestic and other uses and the provisions of lavatories, baths and water closets in different types of buildings. The Code has been prepared with a view to guiding architects and engineers in providing adequate sanitation and water supply facilities in the design of the buildings and planning of water supply and drainage systems by local bodies. The draft code together with other codes on plumbing and sanitation to be published are intended to provide guidance in this respect. Comments on the code may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before April 2, 1957.

*

Production of Ambar Charkha Yarn: Production of yarn at the Ambar Charkha Training Centres during the month of November, 1956, was 70,312 lbs., which is more than double the quantity produced at the end of October, 1956. The total number of Ambar Charkhas manufactured was 40,000, of which 20,004 have been distributed to 'Parishmalayas.' where spinners of Ambar Charkha yarn are being trained, and 8,765 to spinners for independent operation. The total quantity of cloth produced from Ambar Charkha yarn was 13,741. Of this 2,366 yards was for commercial purposes and the balance of 11,375 yards was produced in the 'Vidayalayas' or training centres for instructors. Up to the end of November, the Ministry of Production released a sum of Rs. 305.52 lakhs for the Ambar Charkha programmes, out of which the All-India Khadi and Village Industries Board distributed Rs. 122.61 lakhs. The Ministry of Production have sanctioned a grant of Rs. 26,400 towards setting up of four Parishamalayas in Punjab, as recommended by the All-India Khadi and Village Industries Board.

*

Aluminium Plants: Inaugurating the first meeting of the recently constituted Development Council for Non-Ferrous Metals, the Minister for Heavy Industries, Shri Manubhai Shah, revealed that the National Industrial Development Corporation, a Government body, had decided to establish an aluminium plant at Mettur in Madras State with a capacity of 10,000 tons per year. The Minister said that a proposal for the establishment of an aluminium plant of the same capacity at Hirakud had already been sanctioned by the Government of India. With the expansion of the existing units and these two additional smelters, the country would annually produce about 30,000 tons of aluminium during the second Plan period. In addition, the planning of an aluminium plant in the Rihand area in Uttar Pradesh had been taken in hand.

TRADE

Imports of Caustic Soda and Soda Ash: Under the Import Policy of the Government of India the imports of caustic soda and soda ash are being canalised through the State Trading Corporation of India (Private) Ltd. The State Trading Corporation has entered into contracts with foreign suppliers for the regular import of these commodities in sufficient quantities. For efficient distribution in the country the Corporation has appointed the following as its Agents: The Imperial Chemical Industries (India) Private Ltd., The Tata Industries Limited, Bombay, the Chemical Importers and Distributors (Private) Ltd., Calcutta, and the Chemical and Alkali Distributors Ltd., Bombay. All enquiries for supplies should be addressed to the Agents.

*

Export of Vegetable Non-Essential Oils and Excisable Goods: With effect from February 1, 1957, a simplified procedure for export by sea of excisable goods under claim for rebate of duty or under bond will come into force. It shall apply to exports of all

excisable goods through the ports of Bombay, Madras and Calcutta, except tea and vegetable non-essential oils. As regards tea, the existing procedure will remain unchanged. As for non-essential vegetable oils, a somewhat different simplified procedure will be brought into effect from the same day. Under the revised procedure, the payment of refund will be made directly by the maritime Collector of Central Excise concerned on production by the exporter of proof of shipment.

*

Import and Distribution of Raw Silk: In order to meet the demand from silk weaving industry in India, particularly in Surat and Varanasi and to protect the interests of the indigenous sericulture industry, imports of raw silk have been canalised through the agency of Government since January-June, 1955. In pursuance of this policy, the State Trading Corporation of India has imported 57 metric tons of raw silk from China and Japan for distribution to the weaving industry through the Central Silk Board, which is a statutory body under the Ministry of Production, Government of India, New Delhi, responsible for the development of the sericulture industry. With a view to maintaining a reasonable level of prices for imported raw silk, the present selling prices will be continued. For the information of the actual users of silk, the ex-godown price at Madras, Calcutta and Bombay are notified as under: (1) Chinese raw silk 20-22 Denier "A" Grade Rs. 33-8 per lb.; (2) Japanese raw silk 20-22 Denier "A" Grade Rs. 35-8 per lb.; (3) Japanese raw silk 13-15 Denier "A" Grade Rs. 37-8 per lb. Allotments of silk under issue to Varanasi, Surat, and other important silk weaving centres.

FINANCE

Excise Duty on Cotton or Art Silk Fabrics Produced on Powerlooms: According to a notification of the Government of India under the Central Excise Rules, 1944, with effect from January 19, 1957, refund of excise duty on cotton or art silk fabrics produced on powerlooms paying duty at compounded rates and exported out of India will be permissible subject to certain conditions. The concession will be available to manufacturers who have obtained the previous permission of the Assistant Collector of Central Excise having jurisdiction. The fabrics intended for export shall be marked on each piece with a special distinguishing mark previously aproved by the Assistant Collector. The rate at which the duty shall be refunded shall be 3 pies per square yard. Full particulars of the prescribed procedure can be had from the Collectors of Central Excise.

*

Stamp Duty on Bills of Exchange: The enhanced rates of Stamp Duty on Bills of Exchange prescribed in the Indian Finance (2) Act of 1956, will come into effect on February 1, 1957. The effective rates, however, are being reduced by executive notification to half the rates provided in the Finance (2) Act.

*

Customs and Excise Revenue Collected in Indian Union Statement for November, 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 November, 1956, amounted to Rs. 15.39 crores as compared with Rs. 13.80 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. 12.29 crores as against Rs. 10.78 crores, export duties for Rs. 2.67 crores as against Rs. 2.76 crores and land customs and miscellaneous for Rs. 33 lakhs as against Rs. 26 lakhs. The total gross collection of Union excise duties amounted to Rs. 16.23 crores as compared with Rs. 11.67 crores. During the eight months, April to November 1956, the grand total of gross customs and Union excise revenue realised was Rs. 229.03 crores as compared with Rs. 203.65 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 90.43 crores as against Rs. 81.09 crores, export duties for Rs. 16.28 crores as against Rs. 24.47 crores, land customs and miscellaneous for Rs. 2.36 crores as against Rs. 1.17 crores and Union excise duties for Rs. 117.96 crores as against Rs. 96.92 crores.

*

Public and Private Limited Companies in Bombay State: During the half year ending December 31, 1956, eleven public limited companies with a total authorised capital of Rs. 25,15,00,000 and 82 private limited companies with the total authorised capital of Rs. 7,77,16,000 were registered in the office of the Registrar of Companies, Bombay. This includes the following nine big concerns: Jaifabs Rayon Industries Private Ltd. (authorised capital of Rs. 1 crores), New Era Fabrics Private Ltd. (authorised capital of Rs. 50 lakhs) and Cambata Ferro Manganese Private Ltd. (authorised Capital of Rs. 1 crores 50 lakhs) registered as private limited companies, and Indian Rayon Corporation Ltd. (authorised capital of Rs. 10 crores), India Re-insurance Corporation Ltd. (authorised capital of Rs. 10 crores), Everest Cement and Construction Co., Ltd. (authorised capital of Rs. 2 crores), the Rayon Mills Commercial Corporation Ltd. (authorised capital of Rs. 50 lakhs), Anil Hard Board Ltd. (authorised capital of Rs. 1 crore) and Color Chem Ltd (authorised capital of Rs. 1 crore) registered as public limited companies. During the same period five private companies with a total paid-up capital of Rs. 27,900, one public limited company having a paid-up capital of Rs. 4,000 and one association not for profit were struck off the register of companies under Section 560 of the Companies Act, 1956.

GENERAL

Production of D.D.T.: Production of formulated D.D.T. in the Hindustan Insecticides, New Delhi, during the month of December, 1956, was 98.66 tons, which is the highest so far in any month. During the same period 40.8 tons of technical D.D.T. was also produced. The stock position at the end of month was 163.3 tons of technical D.D.T. and 48.19 tons of formulated D.D.T. Despatches of formulated D.T.T. during the month amounted to 42.4 tons. Schemes for expansion of the factory are in progress.

*

Schemes for Khadi Development: The Government of India have sanctioned two new schemes, drawn up by the All-India Khadi & Village Industries Board—one for rehabilitation of weavers and the second for organising peripatetic parties to train people in hand-spinning and weaving. The first scheme will cost Rs. 50,000, while for the latter, a provision of Rs. 1,62,000 has been made.

*

Revision of Cement Prices for Producers: The Government of India have decided to refer to the Tariff Commission the question of revision of prices of cement payable to cement producers. Firms or persons interested in the matter, who desire that their views should be considered, are advised to address their representations to the Secretary of the Tariff Commission, Central Government Office Building, 101, Queen's Road, Bombay-1.

NEWS IN BRIEF

INDIAN

Schemes for setting up 12 units in Madras State for soap making with non-edible oils have been sanctioned by the Ministry for the execution of the schemes.

*

The per capita consumption of paper in India is amongst the lowest in the world averaging about two lbs. per year as compared to over 400 lbs. in the United States, about 100 to 200 lbs. in almost all the European countries and over 50 lbs. in Japan.

*

At present Indian shipping tonnage is about 480,000 GRT with some 110,000 GRT under construction in Indian and foreign yards. The first plan target of 600,000 GRT is expected to be achieved by the middle of 1957.

*

The marked increase in India's shipments to African countries mainly accounted for the rise of nearly 22.5 per cent in cloth shipments during November, 1956, totalling 70,670,000 yards compared with 57,690,000 yards in the previous month.

*

India's production of power transformers is estimated to have recorded a sharp increase from 565,200 kva. in 1955 to 817,200 kva. in 1956.

*

Salt produced in Madras, Andhra and Bombay excluding West Coast will continue to be licensed freely for export during the year 1957.

*

Shipments of coal during December, 1956, were higher at approximately 187,831 tons compared with 152,655 tons in the previous month.

*

The State Trading Corporation of India has imported 57 metric tons of raw silk from China and Japan for distribution to the weaving industry through the Central Silk Board.

*

The Air India International Corporation has made an operating profit of Rs. 6.54 lakhs approximately for the year to March, 1956, after providing Rs. 72.50 lakhs for depreciation and Rs. 18 lakhs for obsolescence of spares and stores.

*

India continues to be one of the best customers of Britain. Exports from Britain to India were valued at £157 million in the first eleven months of 1956 compared with £119 million in the corresponding period of 1955.

*

The time-loss due to industrial disputes during November, 1956, decreased as compared to the previous month, according to the Labour Bureau, Government of India. The total time-loss during the month was 4½ lakh man-days, which was lower by about 47.5 per cent than the figure recorded during October.

*

It is reported the Indian Standards Institution has circulated a draft Indian standard specification for Vinyl coated fabrics (leather cloth).

FOREIGN

A plan for a new hydro-electric station on the Rangitaiki River, near Matahina, in the Bay of Plenty, is expected to be announced by the Government of New Zealand shortly.

*

Dutch imports from Britain in the first eleven months of 1956 showed a rise to Fls. 1,052 million (£98.7 million), against Fls. 952 million (£90 million) in the corresponding period of 1955.

*

West German potash mines increased sales of potash fertilizers to 1,735,000 tons last year from 1,578,000 in 1955. Domestic sales were 949,000 tons and exports 786,000 tons.

*

Britain received a substantially higher Canadian newsprint tonnage in 1956. In December last the UK received 24,962 tons, compared with 29,724 tons a year previously, but the full 12 months total was 355,197 tons, against 306,910 in 1955.

*

Primary aluminium producers in the US set a new all-time production record during 1956 as well as for the fourth quarter of the year, according to the Alumini Association. Total output last year amounted to 3,358,861 lbs., over 227 million above the 1955 record.

*

The East Pakistan Government has abolished the licence fee on jute cultivation, which was Re. 1, (sl 6a) an acre.

*

A pronounced increase in the turn over of Dutch retail trade was registered during November, 1956 as compared with November, 1955. Among the larger movements were groceries 35 per cent, furniture 28 per cent, footwear 38 per cent, textiles 45 per cent, beverages 35 per cent, and druggist articles 22 per cent.

*

UK oil consumption in the first nine months of 1956 before restrictions on deliveries were imposed was 8.5 per cent higher than in the same period of 1955.

*

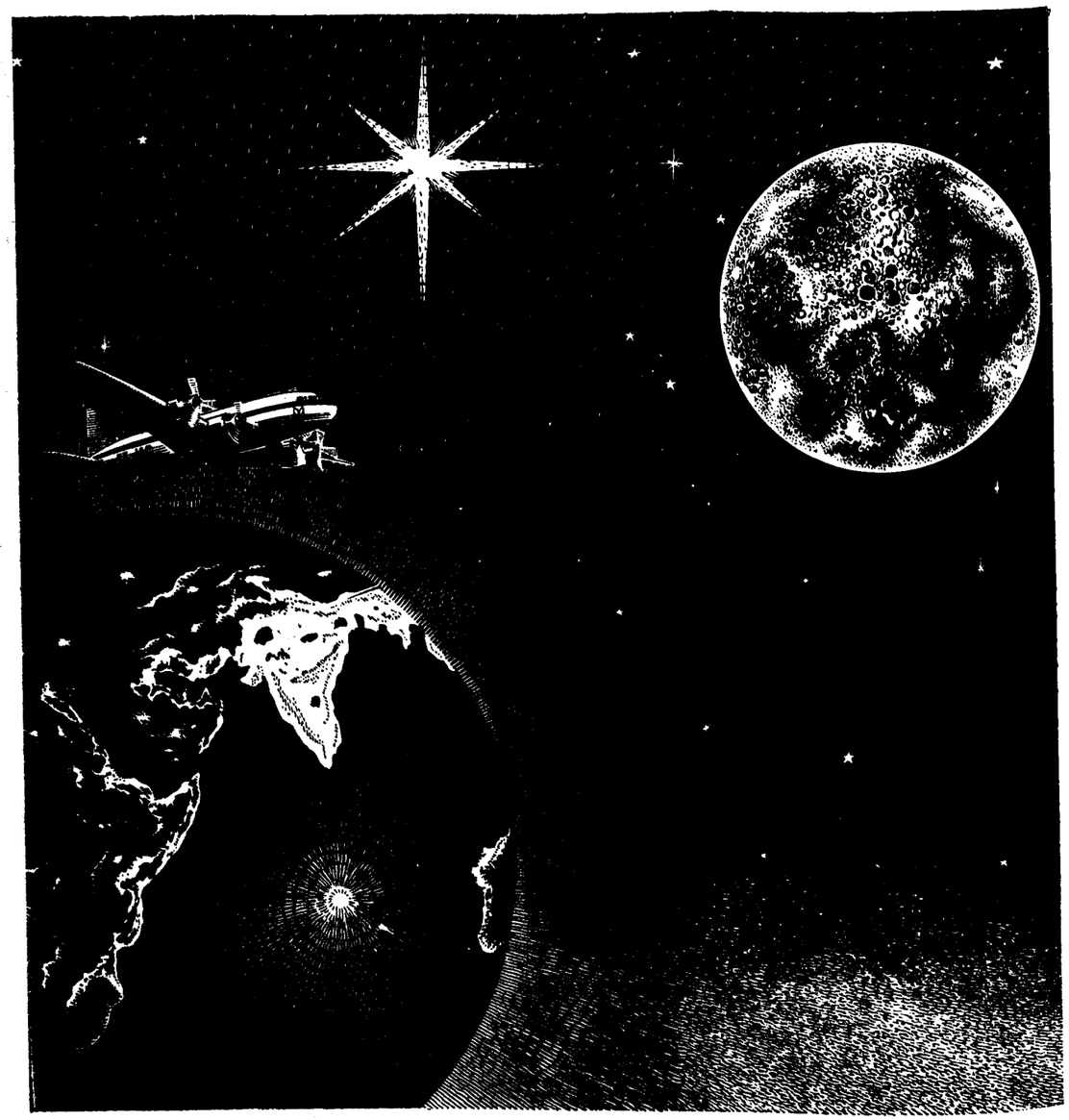
Daily average crude oil output in the US in the week ended January 11 amounted to 7,249,000 barrels, according to the American Petroleum Institute.

*

The US Department of Agriculture plans to cut price supports for the 1957 crop of cotton below last years 82.5 per cent of parity.

*

Malayan tin exports to the Continent of Europe last year were of the order of 12,909 tons which represents a substantial increase of 39.8 per cent. However, exports to Britain fell by 32.6 per cent to 1,938 tons and that to the US by 5 per cent to 41,084 tons. Total exports for the year were 73,276 tons.



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By

CROESUS

I HAVE just finished a hasty reading of the full text of the Report on the Automobile Industry which was submitted by the Tariff Commission to the Government of India on October 6, 1956, and on which the latter have taken action only last week. But even this casual reading has convinced me that in this statutory body, Indian industry has perhaps its best friend. It is only when statutory bodies such as the Tariff Commission display independence and objectivity that our democracy can be expected to last. It was quite open to the Tariff Commission just to carry out the behest of the Government as embodied in the terms of reference, but all glory to the Tariff Commission that in respect of the most independent terms of reference, namely, "to enquire into and recommend the fair ex-works and selling prices of the automobiles under indigenous development and to indicate how such prices should be revised as the different phased manufacturing programmes made progress", it had not only the courage to tell the Government that this was not correct and feasible but also to convince it of the stand it took and the recommendation it has made namely, "that the interests of the consumer can be adequately safeguarded by replacing the present system of price control by a more flexible system under which no maximum prices are fixed but, subject to a general obligation not to charge excessive prices, the manufacturers are left free to vary prices at their discretion and periodic investigations are held into their costs and profits to ensure that the obligation is actually fulfilled by them". The Tariff Commission has also told the Government in clear terms that price control alone will not achieve the objective that the Government has in view — and it thus proved this clearly by reference to the Government's own experience in the past — but that a judicious combination of this with import control is necessary to produce the desired effect. One expected that, after the lucid and detailed exposition of this complicated issue by the Tariff Commission, the Government would readily accept the same, but, as so often it does for no conceivable good reason, the Government has evaded a straight decision. Instead it has sought to achieve the objective, which both it and the Tariff Commission profess, in an avoidably cumbersome manner. Thus while agreeing with the Tariff Commission that the existing rates of duty are inadequate for protecting the industry, it feels that the changes in duties recommended by the Tariff Commission, after the most thorough study of the economics of this yet-to-be friendly established indigenous industry, "are not particularly necessary at this stage....." Although it has not made the changes straightway, it is at least possible that the Government felt it necessary to convert the present revenue duties into protective duties so as to enable it to change the tariffs as and when necessary in its own superior wisdom. It is this arrogant assumption of superior wisdom on the part of our bureaucrats after entrusting a work to an expert body that I fail to understanad, except it be that when the expert body makes scme absurd recommendations, a contingency which cannot be ruled out. But the better course would be for the Government to be careful while selecting the personnel of these statutory bodies so as not to have on them persons from whom nothing but absurd recommendations can emanate; after taking care to do so — as I have no doubt the Government has done in constituting the present Tariff Commission, I feel it is only insulting the wisdom of those constituting the Commission. But this is not the first time that the Government has acted thus. The time is drawing so furiously fast for me to reach the post that I am afraid I can only mention in passing my first reactions to the report.

The Report impresses me very much, because it tells bluntly what it expects of not only the automobile manufacturers but the Government of India, the State Governments, the several associations and dealers and also the consumers. If it has told the Government that it is the latter's intention to ensure the establishment of this undoubtedly strategically important industry, it has to shed some of its old thinking and ways, it has told manufacturers not to dabble with too many projects but to confine to what they have on hand and to perfect them; it has also told each of the manufacturers what line is good for them and desirable from the country's interests. To the State Governments, the Tariff Commission has made a very important suggestion that they must change their policies in regard to their implementation of the Motor Vehicles Act, their tax structure and the conditions they impose as to inter-state movement and laden weight. It has impressed upon them the urgent and paramount importance of this in the context of the second Five-Year Plan. And, perhaps at the risk of displeasing the consumers and being misunderstood by them, it has ruled out the possibility of reduced prices for Indian made cars in the conceivable future, but I hope, before rushing to any conclusion, the consumers would carefully study the cogent reasoning of the Commission in arriving at this conclusion.

Above all, in assessing the performance of the individual producers, the T. C. has recognised the achievements as much as the difficulties of the manufacturers and not even the manufacturer against whom the T. C. has made an adverse remark can dispute that here was a most sympathetic T. C. that any industry could wish for. Could this be the reason why the Government, in passing orders on the T. C.'s Report, conveniently passed over some recommendations, such as for instance, the suggestion that the Reserve Bank should devise some credit facilities for the automobile industry? (There is, however, the recommendation of the T. C. with which I find myself in complete disagreement. It is when it recommends that, if imports become necessary, these must be channalised through the State Trading Corporation. If after all its study of the industry and trade in automobiles has not convinced them that the State Trading Corporation is the least fitted agency for undertaking such an expert task, I can only say it is a passing sop to the politician.

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BUSINESS NOTES

A GOVERNOR RETIRES

NORMALLY, WHEN a Governor of the Reserve Bank retires, the public at large evinces hardly any interest, but everyone knows that Sir B. Rama Rao's is no such normal retirement and that he himself resigned. What the circumstances leading to this extreme step, least expected from him and that at the fag-end of his extended term of office in this capacity can only be conjectured, and several have been the guesses attempted already. But it must be said to the credit of Sir Rama Rao that, at the farewell organised in his honour by the employees at the Bank in Bombay last week, when he might well have disclosed to the public these circumstances, he chose to keep silent. He deliberately said he did not want to break his silence on the circumstances that led to his decision to leave the Bank but only added that the reports that had appeared in some papers were baseless. Highly conscious of the important place of the Governor of the Reserve Bank, and the possible damage to this great credit institution, even unwittingly, by any remark of his, he wisely refrained from raising a public controversy over the issue.

It is still too early to assess the worth and work of Sir Rama Rao, but there can be no two opinions that it was during his seven-year regime that the Reserve Bank saw some great changes, such as the Banking Companies Act, the introduction of the Bill market scheme, and the Rural Credit Survey. If the testimony of those that worked under him is to be accepted—and there is no reason for doubting their sincereity or 'bona-fides'—Sir Rama Rao was responsible for raising a superstructure in every way worthy of the solid and sound foundation laid by his predecessor Sir Chintaman Deshmukh. Also, from the speeches of Mr. A. G. Ambegaonkar, the acting Governor, Mr. C. S. Divekar, the Chief Accountant, and Mr. A S. R. Chari and Miss Maniben Kara, labour leaders, on the occasion, one could make out that the retired Governor proved to be a very able administrator and cared much for creating cordial employer-employee relations. It was refreshing to listen to two distinguished labour leaders, from whom one is more often apt to hear complaints about employers than praises, give unqualified encomiums to Sir Rama Rao for his firm, yet sympathetic, handling of all employer-employee differences.

One could clearly discern how touched Sir Rama Rao was by the kindness of his staff when he rose to reply to the farewell speeches. While suitably acknowledging the kindness of all employees of the Bank, he feelingly mentioned that the achievements of the Reserve Bank during his regime, for which, he declared, everyone in the Bank had contributed, had earned encomiums abroad. Maybe, this is intended to convey to the quarters concerned in this country—it they care—that these achievements are not adequately recognised.

SPECULATION IN COMMODITIES

THERE HAS been considerable rise in the prices of certain commodities in the past few days, especially in the Bombay futures market in groundnut, castorseed, as also in cotton. The December-January period of any year seems to be a crucial phase as far as the commodity markets are concerned. It was during this period in 1955 that the Forward Markets Commission had to take very drastic steps to curb the "speculative" elements of the cotton futures market. This time, fortunately, the Commission did not go that far, but contrived to keep the speculative rise in the price of groundnuts by asking the Board of the Bombay Oilseeds Exchange to stiffen its margin system. It was commendable on the part of the Commission to have taken the step it did without altogether suspending futures trading in groundnuts or castorseeds.

Whenever the Forward Markets Commission steps into the market (invariably it does so on account of a rise in prices) the question is naturally posed whether there has been actually any speculation and whether the appreciation in values has not been brought about by the natural inter-play of the supply and demand position in regard to the commodity in question. In respect of groundnuts, there has, indeed, been a sustained buying spree, taking the prices to new high levels, groundnut May actually improving to as high as Rs. 166.12 for February. While it is true that the statistical position of groundnut is none-too-happy, it cannot, of itself, be held responsible for such continued firmness, which implies that there has been some bull manipulation.

It is understandable that the Government should be rather anxious to keep in check any undue rise in price of groundnuts, inasmuch as groundnut oil forms one of the chief edible oils. But there is no reason why Government should be equally concerned about a speculative rise in the price of castor. It is well known that the pattern of trading in the castor futures is largely governed by conditions in overseas market because, castor oil is mainly an exportable commodity and any rise in its price would only augment the Government's foreign exchange resources. On the part of the Government, it would seem, there is need to check the rising trend in the price of castor in order to bring about a corresponding decline in the price of groundnut, which is an essential edible oil consumed internally. But it must be clear to those who know the market that any speculative rise in castor could be checked by the Government, without the Forward Markets Commission actually intervening in the market. The simple remedy lies in the Government restricting the export of castor oil or by raising the export duty on castor oil. In the case of groundnuts, speculative rise cannot be checked merely by restrictions on hedge trading or by stiffening the margin system, as indeed it has been demonstrated in the last few days.

Whatever measures the Government takes will have to be supplemented by, say, imposing a limitation of stocks of groundnuts with crushers and 'Vanaspati' interests, as the Government did in the case of textile mills and wholesalers. There is also need to check the sizeable smuggling of groundnut oil both to East and West Pakistan about which there have been frequent complaints. In view of the continuing bullish trend in respect of both castor and groundnuts, as also other oilseeds, despite the restrictive steps taken by the Board of the Bombay Oilseeds Exchange, there is certainly a strong case for a probe into the oilseeds affairs either by the Government or by the Forward Markets Commission, as indeed some market circles have already suggested.

NEW DIRECTIVES ON IMPORTS

THE GOVERNMENT has issued new directives on the allocation of foreign exchange for the import requirements of the private sector. The purpose of these directives is clearly to keep expenditure of foreign exchange to a reasonable minimum. Certain tests have been laid down before the private importer's demand for provision of foreign exchange can be granted. The significance of the new curbs consists in the fact that they apply to the import of capital goods. Projects and expansion programmes for which import licences to buy capital goods have already been issued will not be disturbed and their requirements will be met. In respect of demands of other projects, the criterion to be applied is whether they will be badly needed to maintain current levels of production activity or whether they hold immediate prospect of effecting economy in foreign exchange by eliminating imports or whether

they will step up the output of export industries and augment earnings of foreign exchange. Private enterprisers have been asked to secure participation of foreign suppliers of capital goods in the investment of capital for the projects, or to secure long-term credit or to obtain loans from lending institutions in the countries supplying goods. If these conditions can be fulfilled and the present strain on our foreign exchange resources can be eased, it will be highly desirable. But their fulfilment does not rest with private entrepreneurs to any large extent. Government's attitude to private enterprise, and foreign enterprise in particular, must be made sufficiently attractive.

It is an unhappy occurrence that this urgency should have emerged in the first year of the Plan. It is appreciated all over the country that in view of the rapid depletion of our foreign reserves in the last calendar year strict measures must be undertaken to effect maximum economy in expenditure of foreign exchange. The private sector to which the new directives are issued will no doubt offer willing co-operation to achieve this object. Obviously official policy has erred in not anticipating these developments in good time. A post-mortem on this subject will be useful as a guide for the future. But more important than that, private entrepreneurs are by all means entitled to be convinced that the interim curbs, which will be necessary until external assistance is available, are applied also to unessential and low priority projects in the public sector. It is to be trusted that austerity will be enforced in this sphere equally relentlessly.

LLOYDS BANK

THE YEAR 1956 was yet another year of progress and expansion for the Lloyds Bank. The profit for the year at £2,541,793 was higher by £219,354 as compared to the previous year. The dividend for the year has also been increased by 1 per cent to 13 per cent per annum. The period also was one of steady growth in the number of accounts held in the Bank.

In accordance with the principles of what has been termed the "credit squeeze", stressed by the British Chancellor of the Exchequer, the Bank's advances stood reduced to £278.4 millions in December, 1956, as against £298.5 millions in June 1955. Nevertheless there was a substantial increase in its lendings to such industries as engineering, iron and steel, shipping, etc., which are deemed to contribute to larger exports and thereby strengthen the British economy. It needs to be stated that prior to the West Asian crisis, the "credit squeeze" had succeeded as one of the disinflationary measures to a considerable extent.

Again, outside the ambit of the British "credit squeeze"—that is in India, Pakistan and Burma where only Lloyds among the clearing banks has branches—and particularly in India with a rapidly expanding economy and the consequent increasing demand for bank accommodation, the Bank's lending activities have witnessed a substantial expansion in a satisfactory manner. Another special form of lending is that of medium-term credits given to overseas buyers to help them in purchasing British manufactured equipment. Between these two categories, the lending amounts to £40 millions which is over and above that shown in the published statements. The Bank has always played an important role in the economic affairs of the United Kingdom as well as in some Eastern countries. Recent developments have created a delicate situation, both political and economic, and the Bank fully realises its responsibilities. The Bank's traditions of efficient and conservation management can be relied upon as a safeguard in such situations.

INDIAN ALUMINIUM'S LOAN ISSUE

THE INDIAN ALUMINIUM COMPANY LTD. has issued an attractive Rs. 2,68,13,200 five per cent convertible loan stock 1971-81 at par and payable in full on application in multiples of Rs. 200. The issue has been offered in the first place to existing Ordinary Shareholders of the Company, but a percentage share will be available for allotment to the general public and may be filled up immediately in view of the liberal principal terms and conditions of the loan. The subscription list will open on February 4 and will close on the February 15, 1957, or earlier or later at the discretion of the Directors. Stockholders will be entitled to convert their stock into Ordinary Shares and participate in any dividend after conversion. The Company is keeping available sufficient unissued ordinary shares for the purpose. The 5 per cent per annum interest will be paid on January, for each preceding year commencing in 1958. The redemption will be at par starting with Rs. 25 lakhs on January 2, 1971 to be selected by drawings, and will continue each year till fully redeemed. A comprehensive picture of the issue is given elsewhere in this issue.

The Tariff Commission has estimated an overall demand of 35,000 tons of ingots per annum by 1958, while the country's existing capacity is as low as 7,200 tons. There is thus a clear and urgent need for expanding the production capacity. Towards this end the company's Hirakud smelter is expected eventually to double its present annual capacity of 10,000 tons. The Company envisages a new ingot capacity of 10,000 tons per annum which can increase the total capacity to only 50 per cent of the actual requirements. It is, therefore, more than likely that the new production will be marketed at profitable levels to make available sufficient funds to service and repay loans which will become necessary during the construction period.

STATE TRADING IN CEMENT

THE TONE of the Presidential speech of Mr. Dharamsey M. Khatau at the last annual general meeting of the Associated Cement Companies, reflects the reaction of responsible business quarters to the State's infringement on the freedom of private enterprise. His criticism of the manner in which import and distribution of cement were monopolised in the hands of the State Trading Corporation illustrates the nature and consequences of this infringement. ACC had anticipated the gap in the supply of cement sufficiently in advance of the emergence of a tight situation and it even submitted to the Government a scheme for imports (at an inevitably high cost) and their distribution to the consuming public 'without profit' on the basis of an arrangement of pooling of indigenous and imported cement. The proposals were not heeded and it is obvious that not enough consideration was given to them.

Eventually when it became absolutely clear that imports were imperative without delay, the Government entrusted imports and internal distribution of total supplies to the State Trading Corporation. The selling agencies, already employed by the cement manufacturers, were adopted as the State Trading Corporation's agents for sales. But it is pertinent to remember that the commission of the selling agents already forms part of the ex-works price of cement. As against the manufacturers' selling price f.o.r. destination before the intervention of the State Trading Corporation of approximately Rs. 90 per ton, the State Trading Corporation's price on the identical basis comes to Rs. 102-8 per ton. This is the equalised price for imported and indigenous supplies. Mr. Khatau's speech makes the important point that even after making allowance for higher costs of imports, the full difference between the two prices has no validity. What the transfer of distribution through the State Trading Corporation has achieved is to undermine the functioning of an efficient sales organisation which free enterprise had built over the years. This intervention should at least serve as a warning against

Company Meeting

THE ASSOCIATED CEMENT COMPANIES LIMITED

The following is an abstract of the Speech delivered by Shri Dharamsey M. Khatau at the Twentieth Annual General Meeting of the Associated Cement Companies Ltd., held in Bombay on 25th January, 1957.

"Following upon drastic amendments to the Constitution enabling outright nationalisation, or the assumption by Government of complete managerial control over private property upon such terms as to compensation as the Government of the day might think proper, there have been enacted a series of laws of the most far reaching character. Taken together with the previously existing restrictive laws and the voluminous labour legislation already on the statute book, they furnish such a complete range of weapons in the Government's armoury that it seems pointless to talk any longer of freedom for the private sector. The issue must be joined hereafter on the broader base of preservation of freedom and democratic institutions, because what is now in danger of being smothered is not just the private sector in the industrial field, but Free Enterprise generally."

STATE CAPITALISM

Shri Khatau mentioned the nationalisation of Life Insurance and the resort to State Trading in cement as the two most outstanding recent examples of the suppression of Free Enterprise and the onward march of State Capitalism. He referred to the notable contribution of these two industries and their achievements over the last twenty years and observed that in the case of Life Insurance, the grounds on which that vast and growing industry was nationalised, did not bear dispassionate scrutiny. Nor had the results been conspicuously successful or demonstrably in the larger public interest. In fact there had been an alarming drop in the volume of new business since nationalisation.

STATE TRADING IN CEMENT

"As for State Trading in Cement", the Chairman continued, "the Government's reasons for resorting to this remain a mystery to this day. The Government's decision is all the more inexplicable because the conditions obtaining in the cement industry did not warrant any such measure. The cement industry had on the basis of its performance and record, honourably justified its stewardship.

Referring to the 'cement gap' which existed in the country despite the industry's impressive production efforts and performance, Shri Khatau pointed out that the ACC was the first to foresee the gap which was likely to develop due to the requirements of the second Five-Year Plan. The ACC brought this to the notice of the Government as far back as September 1955 and offered to import cement and to distribute it to the consuming public 'without profit'. "After taking little or no notice of this suggestion for some months", the Chairman continued, "the Government seemed suddenly to feel the urgency to resort to State Trading in cement and sought to justify this step on the following grounds:

(a) The need to import substantial quantities of foreign cement to meet the current 'cement gap.'

(b) The need to sell both indigenous cement and imported cement (which would cost about Rs. 40 to Rs. 45 per ton more than indigenous cement) at an equalised price.

(c) The need to rationalise all railborne cement movements so as to impose the minimum strain on the transport system in the country.

The Chairman met these points by stating: "We had already recognised the existence of the 'cement gap and had offered to import foreign cement and to sell it to the consumer at cost. We suggested that price equalization should be done 'without profit', by raising the price of Indian cement by just so much as would be necessary to meet losses on the sale of imported cement at a common delivered price applicable to both. We suggested that this could be done either through the medium of enhanced excise duty, or by imposing a 'price equalization pool' or 'trust fund', either voluntary or statutory. We also offered to evolve a pattern of distribution which would involve only the minimum rail movement. But the disappointing outcome of all this was that while the Government accepted our main proposals they rejected all the alternative price equalisation mechanism we had suggested. And so the country was launched upon State Trading in cement."

The Chairman then examined the mechanism of State Trading in cement. The entire production is sold to the State Trading Corporation of India and the Corporation pays to the producers of cement the old ex-works price which in the case of the ACC is Rs. 54-8 per ton for naked cement, plus packing charges (varying from Rs. 13-8 to Rs. 14-8 per ton) to be determined by Government each quarter. "But the State Trading Corporation in turn sells the cement to the public at the new equalised price of Rs. 102-8 per ton F.O.R. destination, inclusive of excise duty, selling expenses, freight and other handling charges, all of which are borne by the Corporation. As against this, our selling price F.O.R destination before the advent of State Trading was approximately Rs. 90 per ton. The purchase and sale of cement is arranged by the State Trading Corporation through the existing selling agencies of the cement manufacturers, who were appointed as Agents of the State Trading Corporation for this purpose. The Agents' remuneration for their services comes out of the ex-factory prices originally fixed for the manufacturers. The Cement Marketing Co. of India Private Ltd. is accordingly the agent of the State Trading Corporation since 1st July, 1956 for the sale and distribution of ACC cement at a commission of Rs. 1-8 per ton."

FREE ENTERPRISE AND THE FREEDOM TO TRADE

Stating that the cement industry's 'objection to State Trading was fundamental', the Chairman stated: "We believe that all forms of State Trading constitute a serious infringement of the right of freedom of trade in a democratic society. The mere fact that State Trading 'can' resolve a given problem in terms of agreed objectives is not, by itself, a sufficient justification for its adoption if other solutions of equal, or superior or even slightly inferior validity, are available, which do not involve state interference. Moreover, State Trading lops off the essential sales function from a basic productive industry—a function laboriously built over the years by Free Enterprise, thereby causing grave injury to it. I would also emphasise that State Trading in cement runs counter to the declared policies

of Government itself as enunciated in the Industrial Policy Resolution early last year and in which an attempt was made to strike an admirable balance between State and Free Enterprise. The continual maintenance of such a balance is of the very essence of a socialistic pattern of society, 'if it is to be built on the foundations of a democratic constitution."

"In this context, the recent assurances of the Prime Minister in respect of the urgent need for India's adherence to democratic processes in Planning and of evolving a balanced approach between State and Free Enterprise are indeed welcome. Experience has shown that the concentration of a economic power in the hands of Government, backed by monolithic majorities in the legislatures and operated through a well organised bureaucracy must, in course of time, result. in whittling down both individual freedom and liberty. It is with this larger objective in view that one must repeatedly warn the Government against adopting a doctrinaire and unrealistic approach to problems of planning and in the techniques for achieving industrial development. Issues like Nationalisation and State Trading should be conceived only as the means to an end, and not as ends in themselves.

"Enlightened Free Enterprise working within the framework of planned development is an indispensable part of the democratic set-up, for there is a close interrelationship between socially regulated Free Enteprise and Democracy. Free Enterprise should therefore be positively encouraged to thrive by appropriate incentives and reliefs whenever needed, because it had a legitimate and vital function to perform in national planning and development so long as democracy is the foundation upon which our Constitution rests."

PRODUCTION AND SALES

Turning to the affairs of the Company, the Chairman reported another year of successful working for the ACC. Both production and sales of cement were satisfactory. Yet the results were less profitable than for the preceding year, due to repeated increases in freight rates, the price of coal, imported stores and spares, royalty on limestone, etc. The Chairman felt that this trend of rising costs was likely to continue, and that the Company would have to face up to a substantially higher cost of production in the future. This would be further aggravated by the irresponsible demands for wage increases which were being sponsored by the INTUC, and the threat of hasty legislation to enhance the rates of Provident Fund contribution which was being pressed for by Government.

PLANT REHABILITATION AND EXPANSION

Reviewing the Company's programme of modernisation and expansion, Shri Khatau reported that it was progressing according to schedule and that the Company had formulated plans to expand its installed capacity over the next five years to a total of 5.2 million tons per annum as its contribution to the national target of 12.5 million tons of cement under the second Five-Year Plan. During the year the modernisation and expansion of the Company's Bhupendra, Kistna, Chaibasa and Kymore factories continued satisfactorily. The Chairman also announced the Company's intention to install a third unit at the Sindri Works, "provided that a satisfactory price for the additional raw material (calcium carbonate sludge from the Sindri Fertilizer Factory) required can be negotiated with the Fertilizer Factory".

NEW PROJECTS

The Chairman stated that satisfactory progress had been made in the construction of the Company's new cement factories at Mancherial and at Porbandar and that work on the construction of a new plant at Drug would be started in the near future. All these three factories would operate the dry process, instead of the wet process employed at other ACC factories. The Company's newly constructed refractory plant at Katni was functioning satisfactorily and its output would steadily be stepped up to its rated capacity.

FINANCE FOR EXPANSION PROJECTS

Speaking about the very heavy capital outlay entailed by the expansion programme, Shri Khatau stated that the projects would be financed partly out of the proceeds of the recent issue of new shares and partly by borrowing against the Company's cash-credit arrangements with the State Bank of India up to the full limit of Rs. 4 crores. He continued: "Despite this, however, substantial additional funds will obviously be needed. By far the largest portion of this extra finance will have to come out of the internal resources of the Company consisting of depreciation allocation and undistributed profits retained to the credit of various reserves. This process of ploughing back as large a portion of the profits as was possible is in serious danger of being prejudiced in the years to come by recent trends in bonus awards and in the taxation policies of Government. As for the former, there appears to exist no appreciation whatsoever of the need to plough back into industry an adequate volume of profits not merely for rehabilitation and modernisation of existing plant but also for expansion of capacity; with the result that these needs are virtually ignored and a substantial portion, if not the whole, of the so-called 'surplus' is cheerfully awarded as Bonus. The time has come for some realistic thinking in this matter with a view to evolving a fair and workable formula for the award of bonus so that industry may not be deprived of that steady volume of annual accretions to internal resources so essential for financing both expansion and modernisation. If there must be a curb on industrial dividends, then there must also be one on bonus to industrial workers."

Dealing next with the effects of the recent Finance Act upon industrial development, the Chairman observed: "The Act directly impinges upon industrial development in two ways. In the first place there can be no doubt that with the existing confiscatory level of personal taxation, the Capital Gains Tax and the heavy additional Corporation Tax on dividends in excess of 6 per cent can only act as decisive disincentives to new investment and to ploughing back profits into industry. On the other hand, the deposit scheme for canalising in approved directions the utilisation of corporate funds represented by undistributed profits and the tax saved on depreciation and other allowances need not, in itself, give cause for anxiety. But the effect of the whole scheme will depend entirely upon the flexibility and consideration with which it is operated in practice. In particular, Companies such as ours which may have already used their funds for approved purposes should not be required to make any deposits; and "approved purposes" should include not merely the full range of Fixed Capital and Working Capital requirements of a Company, but also the repayment of moneys borrowed and utilised for those purposes. There is every reason to hope that the Rules which are now being framed will fulfil these expectations. And if the deposit scheme is so operated, it need cause no undue concern; but otherwise, it may precipitate a major crisis in the money market and bring all significant industrial development to a grinding halt."

THE ACC-VICKERS:BABCOCK & WILCOX PROJECT

The Chairman reported that satisfactory progress had been made in the Company's negotiations with Messrs. Vickers Ltd. and Messrs. Babcock & Wilcox Ltd. for the establishment of an uptodate heavy engineering plant, which within a few years, would make India largely self-sufficient in the whole range of cement-making machinery. The new project would also provide a substantial proportion of the country's requirements of water tube boilers and mining machinery.

PAKISTAN

The Chairman stated that the ACC's two factories in Pakistan were operating satisfactorily. As anticipated, prices of coal, stores and other materials had risen sharply in that country, with the devaluation of the Pakistan rupee. But the price increase granted by the Government of Pakistan covered only a portion of the actual increase in costs, and unless production costs declined, Shri Khatau felt that the Company would have to approach the Government there for an upward revision again. Shri Khatau also reported that as a result of the representation by the Company the Pakistan Government had since rescinded certain restrictive clauses in the Cement Control Order which were not warranted in view of the supply position there.

LABOUR-MANAGEMENT RELATIONS

Turning to labour-management relations the Chairman observed: "I am very glad to report that the present year has been one of distinct improvement in our relations with our employees. I am heartened to think that the enlightened and progressive policy which your Company has always followed in promoting the welfare and well-being of its employees is not without its due response from them. And I would like to congratulate my labour friends and officials of the trade unions at the various factories for the generally realistic attitude which they have adopted in solving problems of common interest and for showing an increasing awareness of their responsibilities in our common endeavour. Unlike in past years, there was no strike or stoppage of work to mar the growing accord and understanding based on good faith and goodwill.

"In my report last year I had referred to the unanimous decision of the Industrial Committee on Cement to abolish the contract system wherever possible in the normal working of our factories. With the co-operation of the Unions we were able to implement this decision during the year under review. This provides an excellent example of the Company's workmen and management striving together with singleness of purpose to achieve satisfactory results in solving important issues."

BONUS AND APPRECIATION

The Chairman announced that the Board had recommended this year the payment of a bonus equivalent to three months basic earnings to all employees at the Head Office, the Works and Branch Offices, including those employed in the Cement Marketing Company, and concluded by recording the Company's warm appreciation of the unstinted co-operation and unremitting hard work put in by all members of the Company's staff during the year.

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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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
India's Capital Requirements by Colin Clark.	0	8	0
Socialism Tomorrow by "Odysseus"	1	0	0
ANNUAL NUMBERS			
India 1948 — A Political and Economic Report	3	0	0
India 1900-1950 and India in 1949	5	0	0
India and the World and India in 1950	5	0	0
"A Social History of the Indian People" and India in 1951	5	0	0
"India and the Free World" and India in 1952	5	0	0
"India in Asia" and India in 1953	5	0	0
India in South-East Asia and India in 1954	5	0	0
India and the Communist World and India in 1955	5	0	0
India in 1975 and India in 1956	7	8	0

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The Manager

The Eastern Economist Ltd.
52, Queensway, New Delhi

This is an advertisement and not a Prospectus. A formal Prospectus dated 20th December, 1956, has been prepared and filed with the Registrar of Companies, West Bengal.

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 Office of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed in regard to them.

A licence has been obtained from the Central Government for the establishment of the new industrial undertaking described in the Prospectus and a copy of the licence is open to public inspection at the Head Office of the Company. It must be distinctly understood that in granting this licence the Government of India do not take responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

THE SUBSCRIPTION LIST WILL OPEN ON THE 4TH OF FEBRUARY, 1957, AND WILL CLOSE ON 15TH FEBRUARY, 1957, OR EARLIER OR LATER AT THE DISCRETION OF THE DIRECTORS.

SHAREHOLDERS, DIRECTORS AND FRIENDS HAVE ALREADY SUBSCRIBED TO RS. 212 LAKHS OF THIS ISSUE.

INDIAN ALUMINIUM COMPANY, LIMITED

(Incorporated under the Indian Companies Act, 1913)

SHARE CAPITAL

Authorised		Issued Subscribed and Paid Up
Rs. 5,60,00,000	in Ordinary Shares of Rs. 10 each	Rs. 2,01,10,000
Rs. 40,00,000	in 5% Cumulative Redeemable Preference Shares of Rs. 100 each .	Rs. 40,00,000
Rs. 6,00,00,000		Rs. 2,41,10,000

LOAN CAPITAL

Authorised

Rs. 2,68,13,200 5% Convertible Loan Stock.

Now being issued

Rs. 2,68,13,200

Out of this issue, the existing Ordinary shareholders of the Company, Directors and friends have subscribed to Rs. 212 lakhs Convertible Loan Stock. (Aluminium Limited, the Company's majority shareholder, has subscribed to 59% of the issue and in order to permit increased Indian participation, has renounced, with the approbation of the Government of India its right to subscribe in excess of 50%). The remaining Rs. 56 lakhs Convertible Loan Stock is available for allotment to the public.

AVAILABLE FOR PUBLIC SUBSCRIPTION

Rs. 56 LAKHS

5% CONVERTIBLE LOAN STOCK 1971-81 AT PAR

PAYABLE IN FULL ON APPLICATION

Applications must be for multiples of Rs. 200 with a minimum of Rs. 200.

The Convertible Loan Stock now offered for subscription was created by a Resolution passed at an Extraordinary General Meeting of Shareholders held on the twelfth day of November 1956 and is constituted by a Deed Poll as an unsecured obligation of the Company. Interest at the rate of 5 per cent per annum (less tax) will be payable on the 1st January each year for the year ending on the preceding 31st December, except that the first payment to be made on the 1st January, 1958, shall be nine rupees and four annas (less tax) for each unit of Stock of Rs. 200 outstanding on 31st December, 1957.

The following is a summary of the principal terms and conditions upon and subject to which the Rs. 2,68,13,200 Convertible Loan Stock is being issued:

Conversion Rights: Stockholders will be entitled on the terms and conditions mentioned in the Deed Poll, by giving written notice to the Company, to convert every Rs. 200 nominal amount of Stock held by them into fifteen fully paid Ordinary Shares of the Company up to 15th December, 1957, and into fourteen such Ordinary Shares during the period from 1st January, 1958, to 30th June, 1960, inclusive, and into twelve such Ordinary Shares during the period from 1st July, 1960, to 15th December, 1970, inclusive, after which date the conversion rights shall cease to be exercisable. After the 15th December, 1970, the Stockholders will be subject to and entitled to the benefit of all the conditions endorsed on the Stock Certificates except the option to convert. **The Ordinary Shares into which the Stock is converted will rank pari passu in all respects with the then existing Ordinary Shares of the Company and will be entitled to participate in any dividend that may be declared after receipt by the Company of notice of intention to convert.**

Redemption: On the 2nd January, 1971, and on the same date in each succeeding year the Company will redeem at par Stock amounting to Rs. 25,00,000 until all the Stock has been redeemed. The Stock to be redeemed will be selected by drawings. In addition, the Company may redeem at par all or any of the Stock outstanding at any time after 31st December, 1970, upon giving three months' notice in writing and if the Company elects to redeem part only of the Stock, the part to be redeemed will be selected by drawings. The Company will redeem at par any Stock which remains outstanding on the 2nd January, 1981.

DIRECTORS

KAILASH CHANDRA MAHINDRA,
"Mont Blanc", Dadyseth Hill, Bombay, 26.
Industrialist and Chairman of the Company.

ERIK SPENCER GREENWOOD,
7, Mayfair Road, Calcutta.
Managing Director of the Company.

LAWSON GREENE BASH,
Apt. 19D, Hotel Ten Park Avenue, New York, 16, U.S.A.
Merchant.

JAKOB BOETSCHI, Alternate for Mr. Bash
9, Dover Park, Calcutta.
Merchant.

JAMES WILLIAM CAMERON,
146, Easton Avenue, Montreal West, P. Q. Canada.
Engineer.

MUTHIAH ANNAMALAI CHIDAMBARAM,
Chettinad House, Raja Annamalaipuram, Madras, 28.
Industrialist.

JAMES ATWOOD DULLEA,
Dogwood Lane, Westport, Connecticut, U.S.A.
Senior Vice-President, Aluminium Limited, Canada.

SIR UDAY CHAND MAHATAB, K.C.I.E.,
Maharajadhiraja Bahadur of Burdwan
"Aftab Ville", 14 1, Burdwan Road, Alipore, Calcutta.
Landlord.

DR. PARAMESWAR VELAYUDHAN NAIR,
"Saraswathi Sadan", Cotton Hill Road, Trivandrum.
Additional Director of Industries & Commerce, Kerala State.

WILLIAM ARCHIBALD RUSSELL, M.C.,
1, Minto Park, Calcutta, 27.
Stockbroker.

MANU SUBEDAR,
Lotus House, Marine Lines, Bombay.
Businessman

REGISTERED OFFICE

Chowringhee Road, Calcutta, 16.

BANKERS

LLOYDS BANK LIMITED,
41, Chowringhee Road, Calcutta, 16.

THE FIRST NATIONAL CITY BANK OF NEW YORK,
9, Brabourne Road, Calcutta, 1.

SOLICITORS

SANDERSON & MORGANS,
5 & 7, Netaji Subhas Road, Calcutta, 1.

AUDITORS

PRICE, WATERHOUSE, PEAT & COMPANY,
B-4, Clive Buildings, Calcutta, 1.

HISTORY AND BUSINESS

The Company was incorporated in Bengal on the 17th December, 1938, under the name Aluminium Production Company of India Limited as a private limited company. On the 21st June, 1944, the name of the Company was changed to Indian Aluminium Company, Limited, and on the 28th March, 1945, the Company was converted into a public limited company.

The Company undertook the construction of a rolling mill at Belur, Calcutta, in 1939 for the fabrication of aluminium and its alloys and operations commenced mid-1941 with an initial capacity of 2,500 tons per annum which has since been increased to 7,000 tons per annum. This rolling mill was at first entirely dependent upon the importation of aluminium ingot. However, by 1943, an aluminium smelter to produce 2,500 tons of ingot per annum was constructed and completed at Alupuram, near Alwaye, Travancore. When this smelter commenced operations in 1943 it was dependent on imported alumina but by 1946 the Company was operating its own bauxite mines at Lohardaga, Bihar, and producing alumina at Muri also in Bihar and about 80 miles from the bauxite mines. The capacity of these mining, alumina and aluminium smelting facilities was subsequently increased to produce 5,000 tons of aluminium ingot per annum at which level the smelter is now operating. However, due to recent improvements in operating techniques and the installation of additional furnace pots, it is expected that the smelter will operate at approximately 5,600 tons per annum commencing 1957.

In addition to the above smelting and fabricating facilities, in 1951 an aluminium powder and paste plant was completed at Kalwa, near Bombay, with an annual capacity to produce 600 tons of aluminium powder and 250 tons of aluminium paste, in respect of which India was formerly dependent upon imported supplies. During 1955 the Company completed the installation of a modern extrusion press capable of producing 1,000 tons of extrusions per annum. This extrusion press is located adjacent to the smelter at Alupuram, Travancore.

DEVELOPMENT PLANS

With the evidence that India is becoming increasingly dependent upon the importation of aluminium ingot, and since technological developments in the industry are creating greater demand for aluminium, the Company has decided to construct at the Hirakud power project site an aluminium smelter with an initial capacity to produce 10,000 tons of aluminium ingot capable of easy expansion to 20,000 tons or more per annum in the future. The necessary licence has been granted by the Government of India under the Industries (Development & Regulation) Act of 1951.

Simultaneous with the construction of the new smelter at Hirakud, the Company's bauxite mining and alumina producing facilities will be suitably expanded and subsequent further expansion will provide sufficient bauxite and alumina for all the Company's expanded smelting operations. Pending completion of the necessary bauxite and alumina producing facilities, arrangements are being made, with Government approval, to import alumina to ensure full use of the new smelter.

Negotiations with the Government of Orissa for the supply from the Hirakud Power Project of sufficient electric power to enable the new smelter to produce 10,000 tons of aluminium ingot per annum and for a lease of the necessary land at Hirakud for the establishment of the smelter have reached an advanced stage and it is expected that such negotiations will be successfully concluded in the very near future.

MARKET POSSIBILITIES

The Tariff Commission enquiry into the aluminium industry held in 1955 determined that the then prevailing demand for aluminium was about 20,000 tons per annum and it was expected to increase at the rate of approximately 5,000 tons per annum so that by the end of 1958 it would reach about 35,000 tons as follows: utensils 10,000 tons; electrical conductors 14,000 tons; transportation 5,000 tons; foil, canning and packaging 3,000 tons; engineering, building construction and other uses 3,000 tons.

However, consumption of aluminium in India in 1955 was about 27,000 tons of which approximately 10,000 tons of semi-fabricated products and 4,100 tons of ingot were imported. Since India's present capacity to produce primary aluminium ingot only approximates 7,200 tons there is an obvious and urgent need to expand ingot producing facilities and when the proposed new smelter is in operation it is expected that the new production will be promptly absorbed. Furthermore, since the Tariff Commission estimates that the demand for aluminium will increase at the rate of 5,000 tons per annum the need for smelting facilities in addition to those now planned is evident and it is already envisaged that the capacity of the proposed Hirakud smelter may eventually be doubled from 10,000 to 20,000 tons per annum.

TECHNICAL AND RESEARCH FACILITIES

The highly complicated operations of smelting and fabricating aluminium in this relatively new industry, must necessarily be supported by extensive and unceasing efforts in exploration, engineering and research. Fortunately, due to close affiliation with its principal

Shareholder, Aluminium Limited, Montreal, Canada, this Company is, by agreement able to use and benefit from the research and technical facilities of Aluminium Laboratories Limited, which is a fully owned subsidiary of Aluminium Limited, and is thereby provided with technical information, engineering services and advice regarding all development in the aluminium industry and guidance on operational problems and the development of new products.

The research facilities of Aluminium Laboratories Limited are located in Canada and the United Kingdom and are probably the most extensive of their kind. Aluminium Laboratories Limited's annual budget for research and development exceeds 4 million dollars.

FINANCING

The amount required for the expansion programme and for additional working capital is estimated to be Rs. 8.65 crores, part of which will be financed by the proceeds of the recent new and fully subscribed issue of 4,11,000 Ordinary Shares and this issue of Convertible Loan Stock; the balance will be financed by bank loans, depreciation reserves and undistributed earnings. Part of the proceeds of this issue will be utilised for the purpose of repaying the sum of Rs. 50 lakhs which the Company has borrowed from Aluminium Limited.

The financial information included herein reflects the effect of the increased aluminium ingot capacity which commenced in the second quarter of 1955 when the capacity of the Alupuram smelter was increased from 2,500 tons to 5,000 tons per annum. The increased ingot production was most rewarding and it will be noted that profits of Rs. 20,44,011 in 1955 and Rs. 23,57,567 for the nine months ended 30th September, 1956, were recorded, compared with Rs. 2,69,243 in 1954.

The new ingot capacity of 10,000 tons per annum now envisaged by this Company together with India's existing capacity of approximately 7,200 tons per annum is, as previously indicated, substantially below the Tariff Commission's estimate of an overall demand of 35,000 tons per annum by 1958. Consequently, it is expected that production from the new smelter will be marketed at profitable levels and will provide a reasonable return on the new capital invested as well as sufficient funds to service and repay loans which will become necessary during the construction period.

FINANCIAL INFORMATION

The following is a condensation of the accounts of the Company which have been audited by the Company's Auditors, Price, Waterhouse, Peat & Co.

	Sales	Net Profits before Depreciation and Taxation	Nc Profits after Depreciation and Taxation*
	Rs.	Rs.	Rs.
Year ended Sept. 1951 . .	1,20,62,170	38,60,187	15,96,102
15 months ended Dec. 1952 . .	1,61,46,021	35,20,673	12,78,145
Year ended Dec. 1953 . .	1,17,85,372	10,106 Loss	8,17,109
Year ended Dec. 1954 . .	2,37,62,809	14,89,019	2,69,243
Year ended Dec. 1955 . .	3,65,66,903	48,39,370	20,44,011
9 months ended Sept. 1956 . .	3,13,07,499	52,61,884	23,57,567

* Figures as adjusted by the Auditors to reflect Normal Depreciation and Taxation.

ASSETS AND LIABILITIES AS AT 30TH SEPTEMBER, 1956

	Rs.
Fixed Assets —At Original Cost less Depreciation	2,43,73,182
Investment — At Cost	16,854
Current Assets	2,33,61,438
TOTAL ASSETS	4,77,51,474
Less Liabilities and other Provisions .	1,96,87,222
Net Assets as at 30th September, 1956 .	2,80,64,252

DIVIDENDS ON PAID-UP CAPITAL:

Dividends paid on Ordinary shares were 3½% for the year ended September, 1950, 5% for the year ended September, 1951, Rs. 5 per share for the 15th months ended December, 1952, 9% for the year ended December, 1955, and an interim dividend of 5% was paid in respect of the year 1956. Dividends on the 5% Cumulative Preference Shares have been paid regularly.

GENERAL INFORMATION

MANAGEMENT

The Management of the Company is vested in and exercised by the Directors. The Company has no Managing Agents.

INTEREST OF DIRECTORS

Mr. K. C. Mahindra is the Financial and Technical Adviser of the Company and receives remuneration for his services as such.

Mr. E. S. Greenwood is the Managing Director of the Company and receives remuneration for his services as such.

Mr. W. A. Russell is a partner in the firm of Place, Sidons & Gough, Stock and Share Brokers, brokers to this issue.

Mr. J. A. Dullea is a Director of Aluminium Laboratories Limited which Company is a party to contracts for the supply of engineering and technical services at cost to this Company.

Save as above no Director has any financial or other interest in any property acquired or proposed to be acquired by the Company.

UNDERWRITING:

The Convertible Loan Stock now being issued is not underwritten.

BROKERAGE:

A brokerage of one-half of one per cent will be paid on allotment of Stock made in respect of applications bearing the stamp of a recognised Stockbroker.

APPLICATIONS FOR STOCK

Applications for the stock, which must be for Rs. 200 or multiples thereof, must be made on the official forms issued by the Company, and sent together with a remittance for the full amount payable on application to one of the undermentioned Brokers, or a branch of Lloyds Bank Ltd., in India, or a branch of The First National City Bank of New York, in India. Copies of the official application forms and the formal prospectus may be obtained from the Registered Office of the Company at 31, Chowringhee Road, Calcutta 16, the Company's Bankers and the following Brokers:

MANAGING BROKERS:

Place, Siddons & Gough, 6, Lyons Range, Calcutta 1.

BROKERS:

Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay, 1.

Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay, 1.

Paterson & Co., Badsha Building, 22, Errabalu Chetty Street, P.O. Box 48, Madras, 1.

Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, P.O. Box 300, New Delhi, 1.

Company Meeting

LLOYDS BANK LIMITED

Incessant Demand for Accommodation

Sir Oliver Franks's Statement

The annual general meeting of Lloyds Bank Limited will be held on February 15 in London.

The following are extracts from the statement by the Chairman, the Rt. Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E., circulated with the report and accounts for the year 1956:

The profit for the year, £2,541,793, is £219,354 higher than last year and in conformity with the intention announced in the circular letter to shareholders dealing with the scheme of capital reorganisation, since carried into effect, we propose a dividend of 13 per cent per annum, an increase of 1 per cent compared with 1955. Our business in general continues to expand year by year, as evidenced, for example, by the growth in the number of accounts.

THE CREDIT SQUEEZE

Throughout the year, our lending operations have been governed by the principles of the so-called "credit squeeze" initiated by the Chancellor's appeal for credit restraint originally made in July 1955 and reaffirmed, among other occasions, as recently as November last.

We continue to give effect to the Chancellor's wishes. In June 1955 our normal advances to domestic customers, falling within the purview of the Chancellor's directives, amounted to £298.5 millions. By December last, their total had been reduced to £278.4 millions. This contraction masks a substantial increase in our lendings to customers in a group of industries—engineering, iron and steel, shipping and chemicals, whose contribution to exports and to the strength of the economy in general has justified larger borrowings from the banking system.

These figures, of course, relate only to part of our total business. At each of the dates mentioned, the aggregate figure of loans and overdrafts appearing in our published statements was about £50 millions higher than those I have just quoted.

The margin of £50 millions was made up of three special categories of lendings falling outside the scope of the directives. One of these is advances to the nationalised industries. As is well known, finance for these industries is being provided as a temporary measure by the Treasury. Our own lendings have thus fallen substantially and in November last amounted only to about £10 millions. For the rest, the margin is accounted for by two other categories of lending, both of which have been expanding during the period of the squeeze.

EASTERN BRANCHES

First, it happens that alone among the clearing banks we have a number of branches in three overseas countries, whose figures are included among our balance sheet totals. These are our twenty offices in India, Pakistan and Burma. The lendings of these Eastern branches naturally fall outside the ambit of the United Kingdom credit squeeze, since these are rupee advances made against rupee deposits. In India especially, with an economy expanding so rapidly, there is an incessant demand for bank accommodation which, owing to tightness of funds, banks do not always find easy to meet to the full. This demand is reflected in our own advances, which show material expansion.

The increasing business is being handled in a most satisfactory manner by our staff in the East, both European and Asian, and to them I would express our appreciation of their good work.

The second special category of lendings consists of a relatively new form of accommodation, namely medium-term credits extended to overseas buyers to enable them to purchase capital equipment manufactured in this country.

We have made facilities available in this form to assist the export of capital equipment for such projects as power stations, railways, steelworks and hydro-electric schemes overseas, and in some cases this has enabled British manufacturers to secure valuable contracts that would otherwise have gone elsewhere. Among the more important transactions of the kind have been medium-term credits to finance the export of large numbers of civilian jet air-liners to dollar markets.

APPROACH TO MONETARY STABILITY

The "credit squeeze" is, of course, only one strand in a far wider programme of disinflationary measures. Prior to the crisis in the Middle East, these seemed steadily to be achieving their aim. Indeed, in one most important respect they had already brought satisfactory results, namely in swinging our balance of payments back from a deficit of £107 millions in the second half of 1955 to a surplus of £144 millions in the first half of 1956.

This movement is one more convincing demonstration of the truth that our recurring overseas crises since the war had their origin in an excess of demand at home. The favourable turn in the balance of payments could not have come about but for the disinflationary measures.

THE NEW PHASE

It is clear that the events in the Middle East have opened a completely new phase in our economic affairs. Our long-term problems are unchanged; we still have to maintain the value of sterling and to speed up the rate of accumulation. What has gone is the prospect of a smooth transition to a state of monetary equilibrium in the course of the next few months.

At new chapter has been opened. At best, we must reckon with an interruption of some months in the advance towards our long-term objectives. Fortunately, American co-operation has been forthcoming in the measures taken to avert some of the more serious possibilities that were at one time feared. We can now count upon a sizeable flow of oil across the Atlantic and also upon dollar facilities to help in paying for it. Moreover, the danger to sterling arising out of speculative attacks has been dispelled by the action of the International Monetary Fund, under the leadership of Dr. Per Jacobsson, in making available for use if necessary the whole of our quota.

The situation we face is a complex one, calling above all for flexibility and resolution. One overriding principle alone is certain: it is that we must seek to emerge from this temporary period of difficulty with our ability to achieve our long-term objectives unimpaired.

We have to maintain the position of sterling as a world currency fully viable on the basis of existing rates of exchange. This in turn means that we must maintain and improve our position in export markets. We must also be prepared during the emergency to draw upon the reserves to pay for necessary food and

Continued on p. 176 col. 2).

COMMODITY NEWS AND NOTES

CULTIVATION OF CASTOR

The Agricultural Research and Development Sub-Committee of the Indian Central Oilseeds Committee at its recent meeting has suggested that State Governments should be asked to take up cultivation of castor along the bunds of irrigation channels. The Sub-Committee feels that this holds out immense possibilities to extend castor cultivation. Castor cultivation, it says, has become important in view of the utility of its stems in the manufacture of wrapping paper. The Sub-Committee has also suggested that castor cultivation as a border crop should be encouraged in areas covered by the Community and National Extension Service Block areas.

COTTON WASTE PRICES

The prices of cotton waste have dropped substantially in the course of the past few weeks on account of lack of demand from foreign countries. The spurt in demand from the UK and the continent in the wake of the Suez crisis has proved short-lived and Japan, which is one of the major customers for the Indian cotton waste, has remained silent for some months presumably because of the paucity of sterling. Shippers are concerned over the prospects of future exports of cotton waste. It is felt that the Government should now prune the export duty particularly in view of the rising competition in world markets.

REFUND ON COTTON FABRICS OUTPUT

According to a notification of the Government of India, under the Central Excise Rules, 1944 with effect from January 10, 1957, refund of excise duty of cotton or art silk fabrics produced on powerlooms paying duty at compounded rates and exported out of India will be permissible subject to certain conditions. The rate at which the duty shall be refunded shall be three pies per square yard.

DISTRIBUTION OF CAUSTIC SODA

Under the import policy of the Government of India, the imports of caustic soda and soda ash are being canalised through the State Trading Corporation of India (Private) Ltd. The State Trading Corporation has entered into contracts with foreign suppliers for the regular import of these commodities in sufficient quantities.

IMPORT OF RAW SILK

In order to meet the demand from the silk weaving industry in India, particularly in Surat and Varanasi and to protect the interests of the indigenous sericulture industry, imports of raw silk have been canalised through the State Trading Corporation since January-June 1955. In pursuance of this policy, the Corporation has imported 57 metric tons of raw silk from China and Japan for distribution to the weaving industry through the Central Silk Board, responsible for the development of the sericulture industry. With a view to maintaining a reasonable level of prices for imported raw silk, the present selling prices will be continued.

RECORD PRODUCTION OF AMMONIA

Some record figures of production and distribution were attained by the Sindri Fertilisers and Chemicals (Private) Ltd. during 1956. The production of ammonium sulphate for the year exceeded the target of 3,30,000 tons by 1,725 tons, giving an average production of 906 tons per day, which is the highest yet achieved. Production of ammonia for the year 1956 was 94,443 tons, which is also the highest yet recorded. Despatches of ammonium sulphate in the year 1956 were again the highest being 373,921 tons.

SELF-SUFFICIENCY IN LONG STAPLE COTTON

A number of strains of extra long staple cotton in which the country is dependent upon imports have been successfully evolved under schemes sponsored by the Indian Central Cotton Committee. Breeders working on the committee's long staple cotton breeding schemes have successfully evolved strains of 1-1 6" to 1-1/8" length in which the country is short by nearly four lakh bales.

EXPORT OF PEPPER AND CASHEW

The Pepper and Cashew Export Promotion Council, Cochin has recommended to the Union Government enactment of legislation for the levy of a cess on the exports of pepper and cashew kernels in order to promote the activities of the Council. The Council has accepted the recommendations of the trade delegation sponsored by it in the matter of promoting the exports of cashew and pepper and chalked out a programme of work for the year in the light of the recommendations and suggestions made by the trade delegation.

GROWING USE OF MAN-MADE FIBRES

Rayon and man-made fibres are of increasing importance to Lancashire textile manufacturers, whose consumption of yarn comprises 70 per cent cotton and 30 per cent rayon and synthetic fibres and whose cloth output is 71 per cent cotton and 29 per cent cloth made wholly or partly from man-made fibres. The strength of rayon's position in the industry is well illustrated by the fact that a decrease of 7 per cent in total output of cloth in 11 months of 1956 was entirely due to reduced production of cotton cloth.

RECORD UK CHEESE OUTPUT

Cheese production in England and Wales last year rose by 30,000 tons to the record figure of 81,500 tons. The industry's turnover was nearly doubled over the previous year establishing a turnover of £22 million for 1956. A further expansion of sales of English cheese is anticipated through various export markets.

CANADIAN SALES OF NEWSPRINT

Britain received a substantially higher Canadian newsprint tonnage in 1956, the Newsprint Association of Canada has reported. In December last, the UK received 24,962 tons compared with 29,724 tons a year previously but the full 12 months' total was 355,197 tons against 306,190 in 1955. The Association reports that Canadian newsprint rated capacity for the current year is 6,756,071 tons or 21,701 tons daily, representing an increase of 5,13,557 tons over 1956 and an average increase of 1,586 tons daily.

(Continued from p. 175)

raw materials. Only so can we hope to achieve our second and parallel objective, which is to maintain a high level of production and employment. We must be thankful that the reserves now seem large enough to permit these two objectives to be reconciled—but also resolute to use the respite given to produce a lasting consolidation of the position.

A great task of reconstruction lies ahead of us. To a very large extent, this task is a political one. We have to restore relationships that have been gravely damaged with many of our overseas friends and allies, above all our relationships with the other members of the Commonwealth and with the United States. These are not subjects which the annual statement of a bank chairman can properly discuss at length. But success in these endeavours so conditions the speed with which we can hope to solve our economic problems that it would be equally inapproriate to end without stressing their paramount importance.

COMPANY AFFAIRS

THE CENTRAL INDIA SPINNING, WEAVING & MANUFACTURING CO., LTD.

The Company's working year ended June, 1956, has been an unsatisfactory one. The financial results show that after transferring Rs. 5 lakhs from Rehabilitation of Buildings and Machinery Fund, and providing Rs. 6 lakhs for depreciation, the profit amounts to Rs. 37,631. Together with Rs. 3,703 being sum brought forward from the previous year, it totals Rs. 41,334. A sum of Rs. 28,119 has been transferred from this to the Reserve Fund leaving Rs. 13,215 as balance which has been carried forward.

The poor results have been attributed mainly to the Mills being involved in a prolonged strike lasting nearly three months, which was the outcome of a dispute arising due to transferring a large section of workers to third shift necessitated by renovation purposes. As a result of the closure, the loss in production has been estimated to be about 1 million lbs. of yarn and 13 million yards of cloth, besides the indirect loss in production which generally occurs after such closures because of the inevitable time taken in returning to normal operations. The rehabilitation and renovation programme sanctioned by the Directors involves an expenditure of Rs. 1.70 crores. The main items of new plant and machinery proposed to be installed are ring frames, looms, winding and warping units and high-speed sizing machines. In the year under report, new plant and equipment valued at about Rs. 3.04 lakhs was installed. Meanwhile, the installed capacity of the mills had to be temporarily reduced substantially.

Among other difficulties were the unseasonal rains resulting in reduced crops as compared to the original estimates, whereas the consumption by mills went on increasing. This created scarcity conditions and many varieties of cotton touched ceilings. There was a continual increase in the excise duty on cloth. Again, under an Agreement between the Millowners' Association and the National Textile Workers' Federation (Madhya Pradesh) the dearness allowance was increased with retrospective effect from July, 1955, which added about Rs. 5 lakhs to the Company's annual wage bill.

In view of the unfavourable circumstances, the Directors have recommended a dividend of 5 per cent, tax free, on preference share, for the year under review, to be paid out of the Dividend Equalisation Fund. No dividend on Ordinary Shares has been recommended.

THE AMALGAMATED COALFIELDS LTD.

The Company's profit for the half-year ended March, 1956, after the inclusion of Rs. 26,953 brought forward, but before providing for taxation is Rs. 3,19,343. Taking out the provision for taxation (Rs. 1,33,233), it reduces to Rs. 1,86,110. From this, Rs. 30,000 has been placed to Dividend Equalisation Reserve. The Directors have recommended a dividend at the rate of 10 per cent per annum without any deduction for income-tax, which absorbs Rs. 1,27,500. That leaves Rs. 28,610 to be carried forward. Capital expenditure incurred during the half-year on buildings, machinery and development amounted to Rs. 3,28,483, as compared to the previous half-year's Rs. 3,00,396.

As for raisings and despatches, while there was a slight improvement in raisings compared to the previous half-year, despaches show a marginal decline which has been attributed to a short supply of wagons.

It will be recalled that the selling prices of coal were revised by the Government to offset the increase in costs due to the Coal Tribunal Award. The Company's coal price was increased by Rs. 3 per ton but did not cover the entire period of the implementation of the Award. Also, the increase was considered inadequate, as a result of which the Government had considered to re-examine the Company's accounts.

THE PENCH VALLEY COAL CO., LTD.

After providing for taxation (Rs. 1,07,620) and including Rs. 33,343, being the amount brought forward, the Company's profit for the half-year ended March, 1956, totals Rs. 1,73,984. The Directors have placed Rs. 30,000 to Dividend Equalisation Reserve, leaving a disposable balance of Rs. 1,43,984. The Directors have further recommended payment of a dividend at the rate of 14 per cent per annum, without any deduction for income-tax paid by the Company, absorbing Rs. 1,10,250. The balance of Rs. 33,734 is to be carried forward. Capital expenditure incurred during the half-year on development machinery and buildings amounted to Rs. 1,76,175 which is somewhat more than Rs. 1,35,454 of the previous half-year.

Raisings and despatches have been well maintained during the half-year under review, a contributory factor being the increased offtake of Khaperkhada Power House on the Narrow Gauge which was met from the Company's collieries by the Broad Gauge.

In the case of this Company also, the increase of Rs. 3 in the price per ton of coal was considered inadequate and the Government had agreed to re-examine the accounts.

THE BOMBAY SAFE DEPOSIT CO., LTD.

The results of the Company's working for the year ended September, 1956, show a profit of Rs. 68,982. From this has to be deducted the amount of Rs. 38,800 being provision for taxation (Rs. 32,000) and staff bonus and gratuity fund. After adding transfers from repairs and renewals and reserve funds and carryforward of the previous year, the amount totals Rs. 36,339. The Directors have recommended a dividend of Rs. 30 per share, free of income-tax, which absorbs Rs. 36,000. The balance of Rs. 337 is carried forward.

The transfers from the two reserves mentioned were made as it was considered reasonable to spread the expenses, incurred on essential repairs, etc., over a number of years. The Directors also hold that furniture, fittings, etc., have been written down adequately in the past and, therefore, no provision has been made for depreciation.

INDIAN VEGETABLE PRODUCTS, LTD.

The profit for the year ended September, 1956, before providing for taxation, depreciation, etc., is Rs. 7,34,824. An amount of Rs. 2.90 lakhs has been provided for taxation and another Rs. 68,315 for depreciation. After deducting these amounts and others provided for staff gratuity and bonus and adding the carryforward of the previous year, the total profit produced amounts to Rs. 2,75,075. To Reserve Fund has been allocated Rs. 55,000. From the balance of Rs. 2,20,075 the Directors have recommended payment of bonus, tax-free, at the rate of Rs. 10 per share which absorbs Rs. 2,11,750. The balance of Rs. 8,325 is to be carried forward.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
May 1956 ..	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	85.3	125.2
August „ c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September „ c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October „ c ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November „ c ..	411.6*	514.2*	416 6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December „ c ..	413.9	517.5	417.5	389.9	590.3	428.9	89.8	100.0	80.6	111.8
Week Ending										
24-11-1956 ..	421.7	529.7	419.4	386.3	586.6	433.2	89.9	100.1	81.2	122.4
1-12-1956 ..	422·6	514·2	420.4	386.4	590.5	431.5	89.9	100.1	81 0	121.4
8-12-1956 ..	419.1	510.8	418.6	386.1	591.7	429.4	89.8	100.1	80.9	118.7
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	80.9	117 0
22-12-1956 ..	416.7	522.3	416.3	388 6	590.6	430.7	89.7	100.0	80.5	115.2
29-12-1956 ..	392.0	520.2	415.8	387·1	589.3	421.9	89.7	100.0	80 2	114.5
5-1-1957 ..	382 4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80.3	113 4
12-1-1957 ..	389.0	522.0	413.6	386.1	593.0	420.6	89.7	100,0	80.5	112.6

Revised*

* Average of weeks.

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	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	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
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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	—	—	—	—	—	—	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	25-1-1957			18-1-1957			11-1-1957			4-1-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	108-15	107- 1	107-15	107-12	105-11	106-15	105-14	104- 2	104-12	104-15	103-14	104- 5
Silver (per 100 fine tolas)	185- 5	181-13	183-13	182- 2	179- 7	181- 2	180- 6	175- 4	177- 8	175- 1	173- 7	174-15

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)	(5,58)	
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	30,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
April 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September „ ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October „ ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November „ ..	1 443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
Week Ending										
14-12-1956 ..	1,466,86	6,82	1,473,68	117,76	447,30	565,06	38.2	123,27	785,35	1,473,68
21-12-1956 ..	1,465,50	9,36	1,474,86	117,76	447,30	565,06	37.0	124,45	785,35	1,474,86
28-12-1956 ..	1,466,07	9,14	1,475,21	117,76	447,30	565,06	38.3	124,80	785,35	1,475,21
4-1-1957 ..	1,481,52	7,55	1,489,08	117,76	447,30	565,06	37.9	123,76	800,25	1,489,06
11-1-1957 ..	1,495,21	13,16	1,508,38	117,76	447,30	565,06	37.6	123,06	820,25	1,508,38
18 1-1956 ..	1,490,09	17,66	1,508,55	117,76	442,33	560,09	37.1	123.23	825.22	1,508,55

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 Governments	Banks	Others	Total									
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1·72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406.95	1·57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307.78	1·71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	969,54	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	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
April 1956 ..	56,21	30,15	52,14	17,16	155,66	58,82	214,48	16,12	13,35	54.43	1.34	65,52	45,55	18,16
May „ ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June „ ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31.55	3,95	73,97	37,76	18,89
July „ ..	66.46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43.55	4,02	63,43	45,80	7,93
August „ ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September „ ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October „ ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November „ ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
Week Enbing														
14-12-1956 ..	51,69	11,20	54,26	13,62	130,77	134,46	275,22	6,98	10,53	85,63	8,09	89,44	60,53	14,03
21 12-1956 ..	55,56	9,45	52,33	13,35	130,78	145,79	276,47	9,54	3,73	86,57	7,41	93,81	61,36	14,06
28-12-1956 ..	57,24	8,00	58,09	13,87	137,20	147,45	284,66	9,33	3,30	82,61	7,27	106,04	61,82	14,30
4-1-1957 ..	54,34	13,93	58,34	13,42	130,02	146,42	276,45	7,76	2,99	81,07	7,75	99,96	62,53	14,39
11-1-1957 ..	54,00	4,94	56,25	13,11	128,30	146,44	274,76	13,36	1,97	80,30	8,00	106,60	44,48	14,44
18 1-1956 ..	50,71	7,03	52,98	13,29	124,01	151,39	275,40	17,86	91	81.24	8.42	102,61	49,70	14,70

Note: Figures in brackets relate to Pakistan. **Inclu des Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	303,48
1951-52 ..	593.73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	306,34
1952-53 ..	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	321,29
1953-54 ..	526,75	328,26	855 00	31,97	44,48	8.98	442,79	51,40	59.56	339,74
1954-55 ..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68	370,71
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	
Average of Fridays										
April 1956 ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150,94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June ,, ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	38,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,14	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
21-12-1956 ..	646,72	459,86	1,094,29	35,29	50,78	7.87	618,76	165,05†	71.63	364,83
28-12-1956 ..	654,19	459,50	1,101,78	38,33	52,66	8.26	622,91	165,55†	71.56	364,75
4-1-1957 ..	646,80	457,79	1,095,32	37,52	48,26	7.83	635,90	165,80†	73.19	364,46
11-1-1957 ..	653,16	456,84	1,103,36	38,21	50,72	7.79	645,46	162,97†	73.27	362,42
18-1-1957 ..	666.36	458.91	1,116,75	38,48	48 32	7.59	649.67	166.20†	73.06	362,13

* 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	1,505,09*	679,23	667,22	12,01	+263,69
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	−36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	−41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	−12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10,54	−26,79*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

* Provisional.
† Excluding balances held on I.M.F. Account No. 1. Source: Monthly Bulletin of Reserve Bank.

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The Kashmir Crescendo

THE Security Council's Resolution on Kashmir on the eve of the Republic Day and the immediate reactions to it have produced an emotional upsurge which is rising to a crescendo in India, in Pakistan and in Kashmir itself. The Resolution reminded the Governments and the authorities concerned of the 'principle' (embodied in previous Resolutions) "that the final disposition of the State of Jammu and Kashmir will be made in accordance with the will of the people expressed through the democratic method of a free and impartial plebiscite conducted under the auspices

of the United Nations". Although right now, in the context of the impending General Elections in India, the emotional aspects of the Kashmir problem look like overshadowing its other aspects, Mr. Nehru has done well to declare that he and his Government have no wish to go back on any international commitment now or in the future and they would continue to seek a solution to the issue by peaceful means. The significance of this declaration lies in this that the other aspects of the problem are likely to invite greater attention after the elections.

Signs are not also wanting that the other aspects relevant to a solution are surely impinging themselves upon the minds of statesmen abroad. Already the United States Secretary of State has stated that he "does not consider India to be in violation of the U.N. despite the dissolution of the Kashmir Legislature and the formal incorporation of the State into India".Although the United States still believes that a plebiscite should be held 'to determine the future of Kashmir', Mr. Dulles does visualise the possibilty of 'another' agreed solution between the parties — India and Pakistan. The use of the words 'another solution' in Mr. Dulles's statement is significant, for it is just possible that its content and character could be different from that of a plebiscite covering the whole of Kashmir. The French Foreign Minister's statement that the "Security Council cannot impose solutions on India with regard to the Kashmir question" is no less significant. The Western recognition that an 'out-of-Council' settlement would be preferable may restrain emotions both in Pakistan and in India and pave the way for possible negotiations between the two countries.

The prospects for such direct negotiations (as in the case of the recent Indo-Pakistan Trade Agreement) may not, however, be immediately rosy in the context of General Elections. But the prospects would be there in a fair measure as the Security Council is not likely, in the context of what Mr. Dulles and Mr. Pineau have stated, to agree to a precipitate course, which might create more difficulties. In the circumstance an 'out-of-court' settlement becomes a logical and pragmatic necessity. That the United States and other Western nations may be helpful by making their good offices available in some way or other, can also be postulated with a reasonable degree of certainty.

The vital question is whether direct talks between India and Pakistan will bear fruit. They well may if the real bone of contention — namely, the Kashmir Valley — does not constitute a stumbling block in negotiations. It may be recalled that India has all along accepted for all practical purposes, the inclusion, under the Pakistan Constitution, of 'Azad Kashmir' (the mountainous area to the north and west of the Kashmir Valley) into Pakistan. For its part Pakistan cannot seriously question the constitutional incorporation of Jammu (predominantly populated by Hindus) into the Indian Union. What remains, therefore, is the Kashmir Valley which is predominantly populated by Muslims. It is the future of the Kashmir Valley that really matters, but it is the one thing that raises some basic questions regarding the wisdom or otherwise of a further territorial disposition on the basis of religion.

In a theoretical sense a plebiscite runs counter to the idea of division on the basis of religion and has, therefore, its inherent merits. But there are practical considerations in the matter of applying the principle to the Kashmir Valley. It is the contention of the Indian Government that the people of Kashmir are having a run of economic prosperity and secular peace in the conditions made possible by its being a part of the Indian Union in which forty million Muslims are living at peace and continuing their economic avocations undisturbed. This is in a way confirmed by the Kashmir Government which has chosen to cement further the legal and constitutional relationship of its State with India.

A plebiscite (possibly confined to the Kashmir Valley) may or may not confirm this contention even if fool-proof steps are taken to ensure that it (the plebiscite) is carried out in conditions in which legitimate appeals to the people not involving exploitation of extreme sentiments would be possible. If even in such conditions a plebiscite were to go in favour of Pakistan, India might have to accept the verdict in a spirit of resignation. If, on the other hand, a plebiscite were to go in favour of Pakistan in an atmosphere of extreme emotions, it might not be conducive to harmony between the two major communities in the Indian Union.

Any possible repetition of the 1946-47 history in such circumstances might only result in further estrangement between India and Pakistan — a thing that would not be in the best interests, both short-run and long-range, of either country. This is the supreme practical consideration that may have to govern the procedure of conducting any such plebiscite. If this consideration is kept in the fore in possible negotiations between India and Pakistan, it may be that a smooth *modus vivendi* would more easily suggest itself for the final settlement of the problem.

A Plan for Rubber

THE major challenge which confronts the rubber industry is that of expanding its output at an extraordinary rate within a brief period. This challenge has been thrust on it by the swift rise in consumption in the wake of the coming phase of development of rubber-intensive industries. It is also a legacy of a prolonged period, since the war, of excessive tapping in disregard of maintenance and rehabilitation of plantations. Indifference to normal practices of replenishment is now bringing its retribution. It is to this question that the Plantation Enquiry Commission has primarily addressed itself in this third and last report — on rubber.

On conservative calculations demand is estimated to shoot up from 30,000 tons in 1956 to 40,000 tons in 1960 and 65,000 tons in 1970. The industry and planners have almost reconciled themselves to the inevitability of a big gap of 14,000

tons between demand and domestic production at the end of the present Plan as output cannot be stepped up on the required scale in the short run. The plan proposed by the Commission envisages additional production of natural rubber of 20,000 tons in 1965 above the current annual production of 24,000 tons. It seeks to accelerate the pace of expansion and advance the period of ten years suggested by the Rubber Board for a programme of replanting of 70,000 acres by three years. In its approach to the problem of output it lays a purposive emphasis on quality production. Licensing for replanting and new planting is to be determined on a strict selective basis of high yielding trees. Output per acre which is currently the lowest in the world is to be stepped up three-fold to 800 lbs. This should not prove difficult in view of the selection of superior varieties. The majority report is right in accepting the principle of extensive cultivation by new plantings as an integral part of the expansion programme. Additional 50,000 acres are to be brought under new planting. It has wisely rejected the plea of the sole dissenting member for participation of Government in new planting.

The Commission is critical of the indifference of growers to their primary obligation to replenish the reckless depletion of trees since the war. There has been a failure on their part to utilise, according to purpose, the element of the rehabilitation allowance and depreciation in the prices fixed for rubber. The published summary of the Commission's report indicates that the prescription suggested for tea and coffee plantations is to be applied to rubber plantations in appropriate directions. Its views on the problems of big growers and estates and the means suggested to meet them can be gathered only when the full text of the report is released. But it would appear that it has lapsed into the error of recommending a course of curbs which would put their financial management in a strait jacket. The restraints implied on dividend distribution, disposal of profits or their repatriation go ill with its finding that the industry's profits cannot be regarded as excessive. Big growers and estates have to bear much the larger share of the task of raising the rate of output in a short span. They will need to pool all their financial resources for re-investment and fresh investment. Englightened self-interest will dictate the necessity of exploring practicable measures including interim retraint on return. There is inherent virtue in voluntary discipline. The line of demarcation between prudent regulation and direct intervention is indistinct and apt to be violated.

It seems that the Commission's anxiety over a rapid increase in production has been responsible for lack of full appreciation of certain issues. It has endorsed the Government's tentative project of a synthetic rubber plant which has already raised a storm of controversy. Producers of natural rubber view this proposition as a potential peril. It cannot be overlooked that their sector of the industry must necessarily be regarded as the mainstay to satisfy the demand. Their apprehensions about forces of fierce competition being let loose are genuine. The Commission has urged that new plantings must be related *inter-alia* to synthetic output. It has uttered a warning that the natural rubber industry must minimise its costs to face the competition of the synthetic product. The problem of co-ordination which will emerge in the event of the establishment of the synthetic rubber plant is bound to create a headache. The Commission has been content with emphasizing the need for co-ordination.

The small grower — with holdings of 50 acres or below — occupies the major attention of the Commission. This is not unexpected in view of his importance in the industry. This importance assumes a strategic angle when his position in the problem State of Kerala is realised. The extent of fragmentation is easily gathered from the fact that the total number of holdings with an average area of 2 acres is as high as 23,400. Anything below 4 acres per tapper cannot but be considered as an uneconomic holding. The problem posed is to raise this majority of small holdings to the level of economic units. The Commission has urged that an area of 12,000 acres of new plantings should be earmarked for conversion of uneconomic holdings into economic ones. The acreages of 70,000 for replanting and 50,000 for new planting are to be divided half and half between big and small growers. Out of the aggregate area of 35,000 acres allotted to the latter for replanting, three-fifths is to be reserved for distribution to holders of 15 acres or less. This scheme of allocations proceeds on a reasonable appraisal of priorities. It is not clear whether areas of new planting are available within convenient distances from the existing holdings of small growers. Kottayam district which accounts for the heaviest concentration of small as well as uneconomic holdings typifies the real dimensions of this problem.

The recipe of co-operative organisation has been recommended for intensive as well as extensive cultivation at the level of the small grower. It is difficult to share the Commission's optimism in the feasibility of the co-operative technique in the near future. Co-operation, left to the initiative of holders themselves, has made no mentionable headway. The Commission has urged the necessity of State-partnered co-operatives. This pattern implies government control and direction. The implications of State intervention do not seem to have been worked out in elaborate detail. It has recommended what it calls joint farming co-operatives, but it has taken scrupulous care to explain that it does not suggest pooling of lands. This qualification is to be welcomed. Any attempt at joint cultivation by pooling of lands may meet with stiff resistance and, even if brought about, it is undesirable for it may end up in collectivisation. Co-operation as envisaged by the Commission is in effect hardly different from the conventional multi-purpose type which would require steady growth.

The Commission frowns upon the scheme of graded subsidies prepared by the Rubber Board. It condemns subsidies as charity grants and urges long-term loans on easy conditions even for small growers. The cost of the two-pronged programme for growers possessing 15 acres or below is conservatively placed at Rs. 3.3 crores. It does not take into account the cost of acquisition of new land. The outlay on the total programme will be considerably higher. How to raise it is a crucial issue. This part of the Commission's recommendations is unconvincing. It will require positive reconsideration.

Burma's Unsolved Problem

THE Karen-Communists are active again in Burma. Last week they burned and destroyed key military installations at Pegu, (hardly 50 miles from Rangoon) and seized and looted the town. This violent defiance of the Burmese Government in close proximity of its seat of power has been followed by large-scale and well-armed raids in villages near Mahwe and Moulmein and in the upper region of the Irawaddy delta. Earlier, in January the Karen-Communist insurgents had successfully raided Tautabin, and attacked the Kachin State, until now one of the most peaceful spots in Burma. There were also reports of renewed rebel activity in the Pakokku district, stronghold of the Communists, which had been cleaned up after a six-month long full-scale army operations last year.

Reports about Chinese military incursions into the Burmese territory and the continued infiltration of Chinese civilians across the border are also causing concern in Rangoon. But a young State like Burma, without alliances, is faced with a dilemma. If it seeks support from other nations, it may be accused of violating its neutral policy and provoking its powerful northern neighbour. At the same time, if it acquiesces in encroachment by China, it loses prestige at home. The task of the Burmese Government is made still more difficult by the fact that quite a considerable number of the Burmese people are predominantly left-wing in their political thinking.

The sporadic civil war and simmering Communist violence have prevented local and foreign business houses, genuinely interested in developing Burma's economy, from making long-term investment. This has resulted in the persistence of the economic crisis which overtook the country during the Second World War. In fact, the crisis reached its climax last summer. Burma's gross domestic produce in 1955-56 was only about 89 per cent of that of 1938-39, while there was a decline in total gross investment from Kyats 1,014 million in 1954-55 to Kyats 965 million in 1955-56. Per capita output is only 75 per cent of what it was before the war, and per capita consumption is only about 70 per cent. Similarly, the export of rice and rice products has fallen from the index figure (base—1952) of 111.8 in 1953 to nearly 62. And rice still accounts for three-fourths of Burma's overseas earnings. The barter deal with Russia in 1955 for the disposal of the preceding year's surplus and a good portion of the 1955 crop, has aggravated the crisis. By shipping rice without arranging at the same time what was to be taken in return and at what price, Burma made itself vulnerable to unilateral price increases and unpredictable delivery schedule of imports. For instance, 60,000 tons of cement (one year's supply) arrived at the beginning of the monsoon and without enough available warehousing space to store it. The Russian goods were either found unsuitable or were available more cheaply elsewhere. Moreover, Soviet deliveries to Burma had fallen between £4 and £5 million short by the end of September, 1956. By comparison, the Chinese have been particular in their deliveries. But there is a limit to Burma's capacity to make use of the goods and materials that China can provide at its present stage of industrial development. Further, the Burmese are annoyed with the Chinese because they have resold Burma's rice in other countries where the Burmese themselves hoped to find a profitable market.

To make matters worse, the cost of living index of a working class family, calculated on 1941 as base year, has risen to 338. This is the highest point it has reached in Burma since independence, with the exception of 1949 when the Communist rebellion was at its most intense. The Burmese Government's attempts to control prices and organize a fair distribution of commodities have failed because of the weakness of the distributive machinery and continuing pressure of inflation. The shortfalls in the fulfilment of the Four-Year Development Plan, drawn up on the assumption of a high level of resources from the rice crop, has aggravated the situation further.

The renewed Communist activity in Burma in the wake of economic crisis is a matter of concern not only for that country. Pakistan and India cannot remain indifferent to the growing threat to Burma's security. This would deprive these two countries of a secure frontier on their eastern borders and expose them militarily, politically and ideologically. In spite of their enlightened self-interest in the preservation of independent Burma, both India and Pakistan are unable to help it in its present crisis. They are in a position neither to give her considerable economic aid, nor to provide her with military protection against internal subversion. Burma's policy of neutrality, like India's, which is primarily born out of an anti-colonial neurosis, does not allow her to accept aid from the West. Without foreign aid, however, it is doubtful if Burma can come out of the wood.

There are, of course, certain redeeming factors in the otherwise bleak picture. Apart from the welcome decision of U Nu to take up the reins of the Government once again, the country's new Four-Year Development Plan, beginning from 1956-57, has given high priority to the expansion of direct production, diversification of agriculture, export promotion and essential imports. In order to remove seasonal unemployment in the countryside, small-scale and cottage industries, which are capable of providing part-time employment, will be developed. The success of the Plan is already beginning to be reflected in the increased employment opportunities. But to overcome the economic crisis fully Burma still needs £20 million aid. The West would be wise in not seeking to drive a hard bargain from this young democratic country at the present juncture. The World Bank, too, can lend a helping hand by granting a loan for the establishment of an industrial finance corporation. Without such timely help, there is danger of the country's security being unable to withstand continued onslaughts. Writing as early as 1939, in his brochure, "The Chinese Revolution and the Chinese Communist Party", Mao Tse-tung observed: "In defeating China in wars, the imperialist powers have taken away from the Chinese many dependent States.....like Burma, Bhutan, Nepal and Hong Kong". The moral can hardly be missed.

THE WEEK'S NOTES

AN ELECTION-EVE DEBATE

TO APPRECIATE the need of Opposition in a democracy is to appreciate democracy itself, for one cannot be separated from the other. Those who do not recognise an Opposition in a democracy as an essential absolute will, sooner or later,—in fact sooner than later —like to dispense with democracy itself. This has been the experience of history. In our own country, without any mature tradition of parliamentary democracy and with no strong Opposition, the danger of one-party rule has loomed large on the political horizon. The position today is that for the last ten years the Congress has enjoyed a virtual monopoly of power with its command of overwhelming majorities both in Parliament and State legislatures. The continuation of this position—quite apart from the merits and virtues of the Congress Party— is conceivably fraught with serious danger to India's nascent democracy.

Mr. Jaya Prakash Narayan's plea for a strong, healthy and responsible Opposition is therefore timely. Thoughtful people in the country would fully share his concern about the present weakness in Indian democracy. But few of them would be naive to support his appeal to Mr. Nehru to 'give a helping hand" in the building up of an Opposition. Doubtless, Mr. Nehru is a national leader. Doubtless, the founding of the Opposition is a national task at par with national reconstruction and planning. But such an appeal amounts to a confession of failure of the present leadership of the Opposition parties. This failure evokes derision rather than sympathy because even during the first General Elections in India in 1952, fifty-three per cent of those who exercised their franchise had voted in favour of the candidates of a motley crowd of Opposition parties. In its own way the Congress Party may be said to have continuously been contributing its mite to the creation of a suitable climate for Opposition. It has failed to root out corruption and has committed a number of mistakes. If Mr. Jaya Prakash Narayan and other Opposition leaders have failed to command allegiance of a strong section of public opinion, we should look for the causes in their lack of correct understanding of the needs of the people and of the essentials of the organisation of political parties. Mr. Nehru's reply to Mr. Narayan's request is, therefore, pertinent. He stated that he could neither choose candidates for the Opposition parties, nor coerce people to elect them. After all, Mr. Nehru cannot produce Opposition out of his hat like a rabbit.

One is also entitled to ask what is Mr. Narayan's own contribution towards the removal of this major lacuna in our parliamentary system. It would have been more appropriate for him to lend his tremendous political stature and prestige, his organisational talent and indefatigable energy to build up the Praja-Socialist Party into an effective Opposition rather than expending these qualities in the Bhoodan movement which is being well looked after by Vinoba Bhave. At the moment Mr. Narayan does not seem at all to be prepared to take up the leadership of the P.-S.P. His refusal is thus incompatible with his expressed anxiety for a democratic opposition.

Mr. Jaya Prakash Narayan's plea for treating the Opposition with "sympathy, courtesy and patience" deserves serious consideration. There is a trend among some of the leaders of the ruling Congress Party to impugn the "integrity, patriotism and good sense" of one simply because one has dared to criticise the Prime Minister. It is distressing to find the kind of innuendoes in which some of those nearest to the Prime Minister have recently been indulging.

SOVIET AID FOR HEAVY MACHINERY?

IN THE last six months, two missions, one Soviet and the other British, have been in India studying the possibilities of developing heavy machinery manufacture in this country. The Soviet team has recently submitted its report to the Government of India and the preliminary broad outlines now available appear to be encouraging. The project would be in two parts —fabrication of machinery for steel and other plants and a foundry and forge project for the manufacture of heavy castings and forgings--with an annual capacity of 80,000 tons of machinery and equipment. It is out of the common inasmuch as the machinery for the works is expected to be multipurpose which can be used for the manufacture on a large-scale of various types of equipment as required. Another attractive feature of the project, which can be taken up in the second Plan period itself, is that it would absorb some 10,000 hands. The more important details about financing the project are still under discussion. The total cost of the scheme is estimated at Rs. 94 crores which should prove difficult for India to undertake unless the Soviet Union is willing to offer terms along the lines of the Bhilai Steel Project. It will be recalled that, in addition to the long-term credit of Rs. 50 crores for Bhilai, the Soviet Union has agreed to help to the tune of Rs. 60 crores in the industrial progress of this country. Whether the latest project will be over and above the others will be watched with interest.

Provision of Rs. 15 crores has been made, in the second Plan, for setting up heavy foundries and forge shops and for heavy structural shops, through the National Industrial Development Corporation and the project has already reached an advanced stage. This is in addition to a heavy steel foundry envisaged for stepping up the capacity of the Chittaranjan Locomotive Works. Other schemes include Rs. 20 to Rs. 25 crores for the manufacture of electrical equipment, Rs. 2 crores for the expansion of Hindustan Machine Tools, Rs. 10 crores for the manufacture of industrial machinery and machine tools (also under NIDC) and Rs. 1.2 crores for the expansion of Government Electric Factory at Bangalore. If the Soviet offer materialises, the country will have taken a long stride towards self-sufficiency in this vital field. Since, however, the UK mission's report is still to come, a final decision may have to be postponed. Meanwhile, a misgiving that arises is whether the Indian Railways will be able to cope with the ever-increasing pressure, which would be highly accelerated by the Soviet scheme. Obviously, every effort will need to be made to bear the pressure of the schemes which would ultimately help in relieving it.

PROBLEMS OF MANAGEMENT

IN A timely address to the Delhi Management Association, Lala Charat Ram has focussed attention on the magnitude of the management job in the second Plan. It is patent that the country is now short of adequate managerial skill to implement the various development plans in both the public and private sectors, and the demand is bound to rise at a continually high rate in the coming years. Apart from the question of shortage, the nature of the job itself has become more difficult as the primary problem before it is one of making a project out of a blue-print. Furthermore, the functions of management have become widened with the increasing role of Labour Unions and demand for Labour participation in industry. All these pose a great chal-

lenge in training competent managers and it is a good sign that the Government as well as the universities and industry are bestirring themselves to fill the lacuna. The universities and industry should, however, see to it that their programme is complementary and meets the real requirements of the country. The scope for taking advantage of foreign technical assistance is also considerable here, and this should be explored with great care.

All this is good in so far as it goes. Management has now become in essence a profession like any other, but it has yet to evolve its own standard of ethic. The power that a manager possesses over the lives and happiness of a number of people is as immense as that of the lawyer or the doctor and so something more is required of the man who enters this calling than mere technical ability. It must fall to the managers themselves to assert their professional status and set their own standards. Even in private enterprise, profit is no more considered the sole test of good management and it is giving place to the concept of productivity which can only be attained by efficiency, proper co-ordination and improved industrial relations. As Peter F. Drucker says in 'The Practice of Management,' "it is the test of an organisation that it make ordinary human beings to perform better than they are capable of". It is the manager's job to create such an organisation. Industrial relations are also of great importance, and it is highly necessary to foster the spirit of responsibility and co-operation among the workers. In the ultimate analysis, the worker's attitude to the firm depends on the firm's attitude to him and here management must give the correct lead. It is by no means an unimportant part of the case for having a private sector that in it various individual experiments are possible. Will it be too much to hope that managements in private enterprise will pioneer new standards in this fertile field?

WORKERS' EDUCATION

THE GOVERNMENT of India have just appointed an eight-member team of experts to advise them in formulating detailed schemes to cover all aspects of workers' education. This is a welcome step towards industrial democracy, for it aims at educating the workers in the ways of responsible citizenship. The team which has been appointed in co-operation with the Ford Foundation, will make concrete proposals regarding the education of trade union representatives in the principles and techniques of trade union organisation, management and finance. It will also make proposals regarding the education of union representatives for responsible and effective participation in management. The team has been appointed in pursuance of the recommendations on labour policy in the second Five-Year Plan. The recommendations have laid down that the workers be trained in trade union philosophy and methods as also in the methods of management so that they can develop their organisation and take an effective part in the joint councils of management to be set up in industrial undertakings.

Industrial progress in this country depends to a great extent upon the growth of a healthy trade union movement under enlightened and responsible leadership. The old type of militant trade union leader who is brought up on the philosophy of class war and who looks upon himself more as an agent of his political party than as a representative of workers and who is not conscious of any obligations to the community, is a misfit in the present social order. He needs to be educated on the role he has to play. Besides, in order to organise a genuine trade union movement which does not depend on outsiders for leadership and to enable it to participate in management much training beyond literacy is required. It is good to find that the government has stepped into this sphere and is aware of all these problems.

The international team is expected to submit its report on the detailed schemes by March next for a further discussion in a more broad-based seminar. The seminar will include members of the team and representatives of trade union organisations. It is to be hoped that when concrete proposals are worked out by the education team, they may well command the greatest common measure of agreement among all the parties concerned — namely, the government, the employers and the employees.

IBN SAUD IN THE UNITED STATES

ONE OF the world's last absolute monarchs, the King of Saudi Arabia is currently visiting the United States. Obviously, the United States Government's main interest in inviting him for a visit at the present juncture is to "sell" through him the Eisenhower Plan to the Middle-Eastern countries. Besides, another important agreement is to be negotiated with him for the renewal of the lease of the U.S. military bases at Dhahran.

King Ibn Saud's visit assumes added importance because he has gone to Washington armed with authority to speak for three other Arab States, namely, Egypt, Syria and Jordan. It is he who will discuss on behalf of the Arab world the Eisenhower Plan with the President and convey to him their objections and seek clarification on such points which though acceptable in principle remain from the Arab point of view rather vague. Since the President has publicly assured that any offer of military aid would be in conformity with the obligations of the United States to the United Nations Charter and subject to the overriding authority of the Security Council, he should be able to dispel any lingering doubt among the Arab States about the motives behind his Plan. Also, he himself should be able to appreciate the basis and importance of the neutral foreign policy which the Arab States want to pursue.

Although the talks between the Republican President and the absolute monarch are still inconclusive, they have reportedly gone "extremely well, with good many misunderstandings cleared up." Diplomatic speculation is rife that the Eisenhower Plan will be modified to remove the Arab objections. There is, therefore, every chance that strong ties may well emerge from the current talks. This optimism is well founded because of three factors: one, President Eisenhower's public assurance that his Plan is no more than a "protective shield" against "overt armed aggression from any nation controlled by international Communism"; two, the common oil interest of America and Saudi Arabia; and, three, the growing realisation in the Arab world, which had recently been swayed towards the Communist bloc after the Anglo-French abortive military adventure in Egypt, that the Arabs would not, as King Hussein of Jordan has put it, be able to get rid of the "new imperialism" if once it strongly got established in the Middle East. It was perhaps due to this consciousness that Egypt, even during the recent crisis, did not accept the Russian offer of "volunteers".

It would be an important contribution to the cause of peace and the free world, if President Eisenhower used his influence to force the French grant national freedom to Algeria, release the frozen Egyptian funds in the United States and renew the offer to finance the Aswan Dam project. For they would give a shattering blow to the prestige of the Kremlin in the Middle East.

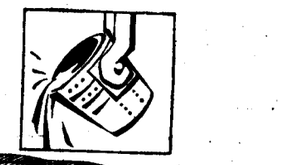
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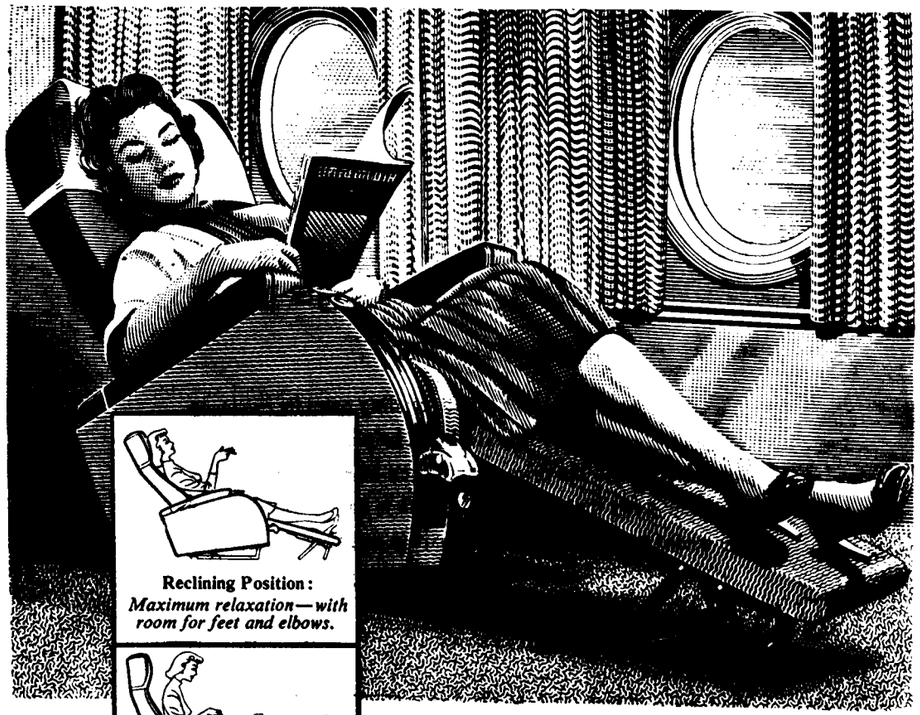
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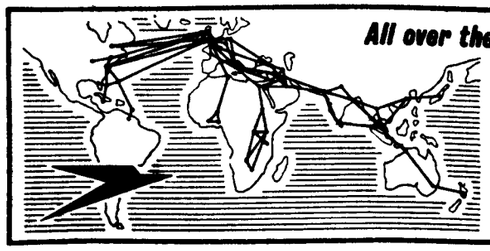
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A Window on the World

FOREIGN POLICIES WITHOUT "POWER"

By

ODYSSEUS

WHAT foreign policy is henceforth possible for Britain?

A foreign policy is based on the national interests at stake and the power available for their support. It is an illusion that all national interests can invariably be attained by negotiation alone. Some conflicts of national interests between countries are inevitable. These conflicts are resolved by negotiation when supported by the knowledge that power is available to uphold national aims if negotiations show signs of bogging down. Since virtually no nation is powerful enough today to support its negotiations alone without help from friends with similar aims, an important part of foreign policy consists in cultivating the friendships, and helping forward the interests of, other countries whose interests coincide with one's own. This two-way traffic of mutual support implies compromises in the formulation and carrying out of policy. No country, not even the U.S.A. or the U.S.S.R., can expect to have its own way in all matters. The final test of any policy is whether it has in fact advanced or injured the national interests.

By these tests the foreign policies of France and Britain, and of many other countries, in relation to the Suez canal, the Israeli-Egyptian situation, and the Middle East, have been at fault and continue at fault.

Take first France and Britain. Their interests are that the Suez canal should be freely navigable to the ships of all nations, that they should be able to buy and transport oil freely from the Arab countries, that the Middle East should be at peace, and that no countries hostile to themselves should establish influence in the region.

MIDDLE EAST TENSIONS

These Franco-British interests in the Middle East were between 1954 and 1956 increasingly threatened by a variety of factors which included: (1) The persistence of hostility between Israel and the Arab countries, and particularly between Israel and Egypt, which threatened the peace of the whole area; (2) Egypt's denial of the canal to ships bound for Israel (in defiance incidentally of the U.N.O.'s injunction to Egypt), which created a risky precedent for the future of the canal; (3) the continuing friction between Israel and Egypt which led Egypt to seek foreign arms. Fear that a re-armed Egypt might let war loose on Israel and involve the whole Middle East led France and Britain, and the West generally, to be reluctant to supply arms in the quantities sought. So (4) Egypt turned for arms to the Communist countries, thereby inviting Soviet influence into the empty space created by the departure of British troops from the canal under the 1954 Anglo-Egyptian agreement. (5) The infiltration of Soviet power into the vital canal and Arab oil area alarmed Britain and France. (6) The build-up of Egyptian armaments together with persisting Egyptian Commando raids into Israeli territory alarmed Israel. So (7) Israel decided that her national survival depended on striking first, while she still had the advantage, and destroying Egypt's Soviet armaments in a large-scale preventive raid.

What in these alarming circumstances did French and British interests dictate?

An outbreak of war between Israel and Egypt might, owing to the importance of the Suez canal and of Arab oil to so many countries, be difficult to localise. The possibility of World War III could not be excluded as the ultimate development. Britain and France ought to have known that they were not strong enough to enforce peace in the area by sending troops to ensure neutrality between Israel and Egypt. Moreover, in the face of Middle Eastern and Asian nationalist sentiment, any such attempt would align powerful forces against them.

What to do? Back to first principles. What is the key to the formulation of a foreign policy? The national interest. Very well then: What other countries were interested in the Suez canal, Arab oil, and the denial of the Middle East to Communist infiltration? Answer: At least the whole of Europe, North America, and all Asia except China.

In other words, the interests of virtually the whole world outside the Communist countries coincided with those of Britain and France. Surely here was an overwhelming conglomeration of power that could have been mobilised to tell the Middle East that in order to ensure (1) peace between Israel and Egypt, (2) passage through the canal to ships of all nations, (3) that the countries of the Middle East should not become Soviet satellites, and (4) peace throughout the area, France, Britain, the U.S.A., Australia, India, Pakistan, Canada, New Zealand, Indonesia, Belgium, and half a dozen others, were combining to maintain the costs of sufficient troops (under the U.N.O. aegis, if you like) in the area for as long as was necessary.

But the fact that the Franco-British attempt to protect their interests by "going it alone" was indefensible from everybody's viewpoint, including their own, should not prevent us from trying to understand how such a wrong decision came to be taken. Their failure to consult their natural allies over the threatened crisis in the Middle East arose from their conviction that consultation would be useless.

The U.S.A. had no consistent policy in the area. Mr. Dulles seemed unaware that innumerable countries, friendly to the U.S.A., had any stake in the use of the Suez canal or Arabian oil, or in keeping the U.S.S.R. out. He was thus breaking the first rule of a foreign policy: Find out who your friends are and help their interests along. If you don't, you must not be surprised if they ultimately, in desperation, decide to act without you. Equally, the natural friends of France and Britain in Asia were conscious of the evils of colonialism to the point of failing to see who their friends were and where their interests lay.

In saying this, I am aware of the unpopularity of the viewpoint that I am submitting. It is offensive to the many important non-Communist countries who have convinced themselves that (1) mutual support for common interests is dangerous (they call it "entangling alliances"); that (2) the use of force can be avoided by the unilateral renunciation of its use; that (3) foreign policy is not concerned with interests at stake, and the power that can be mustered with the help of friends to support them, but with upholding moral principles, like the Panch Shila, or the Kellog Pact

outlawing war, or the Stimson doctrine of refusing to recognise territorial changes brought about by force.

WHAT IS "AGGRESSION"?

I am not arguing that a successful foreign policy aims at protecting interests regardless of moral obligations. Policies, such as those of Hitler and Stalin, based on purely cynical calculations offend deep human instincts; at home, they fail to unite the whole nation behind them, and abroad they arouse deep antagonisms that take shape in combinations of power against them. But I am arguing that we muddle ourselves by using in international affairs, where they make nonsense, words which apply to the internal administration of law and order. "Aggression" inside India is when a dacoit uses violence for private ends. Such acts can be legally defined and the community accepts the machinery of police and law courts to prohibit them. But internationally "aggression" cannot be defined (a U.N.O. commission has just given up the attempt in despair) and not one single nation in the world accepts the U.N.O. as the final arbiter of all international relations on all occasions.

If the individual nations do not combine to stand up for their interests, no one else will. The individual nation must choose what it considers to be the best means of defending its interests. It may have to commit "aggression" (as did Israel) in order to defend itself from a threatened attack or from "non-violent" foreign subversion, or perhaps a tribal invasion, or frontier unrest. Some "aggressions" are justified. Some are not. But to brand as "aggressor" any nation which uses violence first, regardless of the interests involved, produces total absurdities.

For example, when France and Britain, in consequence of Hitler's invasion of Poland, were at war with Germany in 1939, the U.S.S.R. attacked Finland in violation of the League Covenant. The question was: Should Britain and France (then the leading League powers) uphold the Covenant? The answer should have depended on (1) the extent to which the Soviet action affected French and British interests, (2) the amount of power at the disposal of France and Britain, on the one hand, and of Germany and the U.S.S.R. on the other. In the event, France and Britain decided to join Finland in war against the U.S.S.R. and would have done so if Sweden had not prevented them by refusing to allow their troops to cross Sweden. If Sweden had allowed troops through, France and Britain would have found themselves simultaneously at war with Germany and the U.S.S.R. This would have been unimpeachable from the viewpoint that all "aggression" must be resisted without discrimination. But surely the object of a foreign policy should not be to promote national suicide?

In 1956, judged by its results — the closure of the canal, the loss of oil supplies, the shock to Commonwealth relations and to the solidarity of the free world—the Franco-British decision to impose their own solution in the Middle East was wrong. But was the subsequent action right of those members of the U.N.O. who condemned France and Britain as "aggressors"? Of the seven leading factors of interest and power in the Middle East — Egypt, the other Arab countries, France, Britain, Israel, the U.S.S.R. and the U.S.A. — Egypt, the Arab countries, the U.S.S.R., and the U.S.A., supported by innumerable countries in Asia and elsewhere, combined in U.N.O. to jeopardise the interests of France, Britain, all the world's maritime nations using the Suez canal and of all the nations dependent on Arabian oil, and to give enormous encouragement to the aspirations of the U.S.S.R. to become the predominant power in the Arab world, with Egypt as her leading satellite. That this is in the interests of the Communist countries in Europe and Asia is clear. But is this one of the objectives of our foreign policy?

"But", someone protests, "Egypt's sovereignty must not be infringed." In the real world, there are no sovereign countries left. We all need friends and allies to attain our national objectives — and that means compromises in foreign policy, which in turn means limits to sovereignty.

Space compels me to break off at this crucial point in the argument, which leaves many questions raised and unanswered to be tackled next week.

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WEST EUROPE'S SHOTGUN WEDDING

(From Our Special West European Correspondent)

PARIS, February 2.

THE enthusiasts for European unity are very much in charge of things this winter, and half-baked proposals are being rushed through national parliaments and whirlwind conferences, in the hope that during this year the major foundations of a United States of Europe will have been laid. The haste and bustle of the operation are positively absurd, and are leading to confusion that is covered up in the name of "progress". Conferences are held between European Foreign Ministers where the only care is to be able to announce after a few days of feverish discussion that "we have made great progress", with less thought being given to the value of the texts thus solemnly signed. Experts produce treaties 200 pages long in which almost every page has a few blanks to be filled in later by the politicians. Naturally, the blanks concern the most crucial parts of the subject, so the apparently impressive draft treaty is actually quite hollow. Nevertheless, the existence of this solid document gives the impression that the work is almost completed, so the politicians foregather for a hurried week-end conference where they rush through vague and ill-considered "compromises", which often succeed in undoing weeks of patient work on the part of the experts.

For example, last month's meeting in Brussels on the European common market had been preceded by many weeks of intricate logic-chopping by the experts in which they had eventually agreed on such scholastic distinctions as this; coastal fishing is "agriculture" but deep-sea fishing is "industry"; wine is an agricultural product but aperitifs are industrial products, while much thought was given to an urgent Italian enquiry whether spaghetti was an agricultural product like wheat! This complex document was then laid before the Foreign Ministers, and when some dispute arose on a quite separate question between the Italians and the French, the Belgian Foreign Minister hastily produced a "compromise" which, among other things, totally obliterated the subtle distinction between agricultural and industrial fishing. The experts got back from the Ministers a revised document that made them hold their heads and groan. The Ministers nevertheless were able to announce "more substantial progress".

Similarly, Guy Mollet tried to rush through the French Parliament a motion authorising him to press ahead with the European unity talks, and chose to do this just on the eve of the U.N. debate on Algeria when it was obviously impossible for Parliament to bring down the Government no matter how dubious the Deputies were about its European policy. The debate was carried on in such haste and confusion that a former Prime Minister admitted to having signed an important declaration that he had not even read. The upshot was a favourable vote which is liable to several contrary interpretations, and which would not necessarily be repeated under another Ministry and under less feverish conditions.

Why are these important matters being dealt with so inconsiderately? The Government's critics here allege that the rediscovered enthusiasm for a united Europe is a simple diversion designed to distract attention from the Suez fiasco. But even if it were true, this could only apply to the French Government, and would not explain the equal precipitation of the other five West European Governments who have no Suez skeleton to hide. No doubt Suez has something to do with it, not as a cause but as a pretext: the sense of isolation produced in France by the failure of the Egyptian expedition is regarded by the unity party in France and elsewhere as providing a suitable atmosphere in which to promote plans conceived years ago. A more important reason for haste is that France and West Germany have two "good Europeans" as premiers, Mollet and Adenauer, neither of whom might be in office at the end of this year. There are to be elections in West Germany in November and in any event Dr. Adenauer is very old; while no one can forecast how far into the summer M. Mollet's Government will last. So there is a sense of urgency among the unity enthusiasts, and an ardent wish to get Germany and France irrevocably committed to some sort of union, no matter how vague in its outlines, while the going is good.

But more fundamental still is another simpler and more honourable calculation: the firm belief that it is only the first step that counts. No matter if the first step is taken in confusion, or for the wrong reasons, or on the basis of a misunderstanding or on the strength of a factitious "compromise"—once it has been taken no one will want to turn back and the rest will be comparatively simple. It is quite possible that in private many of the politicians now celebrating the "substantial progress" being made toward European unity would admit that this progress is largely artificial and that they have no solid reply to the criticisms of such as Mendes-France. But they feel that however grave the objections to European unity, once Europe has begun to unite these difficulties will be resolved, whereas if one waits until the difficulties are resolved (if one waits for instance until France is able to meet West German competition) then nothing will ever be done. And of course they may be right.

However, an inevitable consequence of this haste to get something done is that the European unity plans suffer so many compromises that they gradually change their sense. The plan for a common market began as an essentially liberal idea, to create a large area of free trade, in the 19th century sense of free trade. But it is becoming subject to so many reservations, exclusions, exceptions and safeguards that the final result (supposing it ever comes to life) will not be more liberalism but more planning and intervention, on a larger scale. On the contrary, the Euratom scheme began life as global plan for atomic energy, but it has been subjected to amendments in a contrary sense, so that in its final form it will be less a joint instrument for atomic development than a more or less useful aid to private enterprise. Without passing judgment on either of these contradictory developments, it is clear that "European unity" covers no one policy or philosophy.

The factor that is tending to make Euratom more "liberal", against all expectations, is the French desire to build their own atomic weapons. If France were interested only in the peaceful uses of atomic energy she could consent to co-operate with West Germany, who is debarred by the Paris Treaties from building atomic weapons, and with the smaller West European nations, who have no ambitions about an atomic bomb;

and she could consent, by entering fully and without reserves in the Euratom organisation, to depend on the United States for a supply of atomic material. But because she wishes to have a military atomic industry as well as a civil one, she can do neither of these two things but has, instead, to insist on reducing Euratom to a minor adjunct to her own atomic industry. So Euratom will become, mainly, a centre for the exchange of information, the encouragement of research and the devising of a common security code; it will thus be not the master but the servant of private atomic industries in all West European countries and of the military atomic industry in France.

In one respect, French ambitions in the military field are inciting Euratom to a venture in true common production. This is the plan for a common factory for the separation of isotopes. It is a thoroughly uneconomic plan because the United States has indicated that it will sell atomic fuel to Euratom at 17 dollars a gramme, which is about half the price at which a Euratom factory could produce it. But the French nevertheless favour an independent European isotope plant, no matter at what cost, because apart from the disadvantage of relying on one supplier, they have in mind the condition that the Americans attach to all their sales of atomic fuel: that it be used only for peaceful purposes, not military. A European factory would enable the French to get atomic fuel which they could use for military purposes.

In the course of this month meetings will be held at the highest level (which means essentially that Mollet and Adenauer will confer) to produce a few more "compromises" that the experts and Foreign Ministers have not been able to devise. So it is quite probable that by this summer West Europe will, on paper at least, have achieved an apparently substantial measure of unification. But even if the treaties incorporating these unification measures are ratified by the national parliaments, it will be necessary to remember that few of the real difficulties will have been settled. The serious work of uniting West Europe will remain to be done, and will be liable to be upset, discontinued or cancelled at any stage by the coming to office in West Germany or France of a party less devoted to unity than the present Governments of Adenauer and Mollet.

A CORRECTION

'FAIR DEAL FOR AUTOMOBILES'

In the leading article entitled 'Fair Deal for Automobiles' in our issue of February 1, 1957, we have since noticed a factual error in our comment in respect of import duties on some components. The last two sentences of para 5 in the leading article are corrected to read as under:

> "As the Government also favour this course, increasing the import duties in respect of the said components is not considered immediately necessary although they have agreed to convert the existing revenue duties into protective duties. The Government have, however, committed themselves to such increase, etc..... "

The last sentence in Para 6 is corrected to read as follows:

> "Although Government have not considered it necessary to increase the import duties immediately, etc..... ".

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WORLDGRAM

AGRICULTURE

Rice Production: Indications are that world rice production in 1956-57 may exceed the high level of last season as a result of larger acreages and favourable conditions in many producing areas, states the Commonwealth Economic Committee 'Rice Bulletin' just published in London. First estimate of acreage under rice in India shows an increase of 4.8 per cent over the previous year, while "some increase" in production is expected in Pakistan. Ceylon also is growing more rice. In Burma the harvested area is reported to have reached a post-war peak of over 10,000,000 acres. In Formosa, the second rice crop was also large—a record total of nearly 950,00 tons of brown rice (the equivalent of 1,239,000 tons of paddy) being forecast of which 70 per cent had been harvested by the end of November. In the Middle East, rice harvests are reported to be good, those in Iran and Iraq being well above the average, and possibly equalling peak figures of two years ago. Other countries reporting good yields are China and the Philippines.

*

Orissa Warehouse Bill: The President has given his assent to the Orissa Warehouse Bill, 1956. This Bill is an ancillary measure to the Agricultural Produce (Development and Warehousing) Corporations Act enacted by the Central Government to facilitate the setting up of Central and State Agricultural Produce Corporations. The Bill provides for the licensing of warehouses and the issue of transferable receipts by warehousemen. Provision is also made for ensuring the safety of goods against damage or deterioration, inspection and grading of goods and other incidental matters.

*

Orissa Agricultural Produce Markets Bill: The President has given his assent to the Orissa Agricultural Produce Markets Bill, 1956. The Bill has been promoted with a view to ensure a fair return to agriculturists in Orissa by regulating and controlling the operations of middlemen. The Bill provides for the constitution of Market Committees in selected areas consisting of elected representatives of traders and officers appointed by Government. These Committees will be responsible for licensing traders and commission agents and will exercise strict supervision over their operations as well as fix market charges etc. The Committees will make available to agricultural producers up-to-date market intelligence. The Orissa Government have estimated that the agriculturist gets only about six to ten annas in the rupee out of the sale proceeds of his produce and is a prey to unfair practices and undue exactions by middlemen.

*

M.P. Land Reclamation Extension Bill: The President gave his assent to the Madhya Pradesh Reclamation of Lands (Extension to Bhopal Region) Bill, 1956, on January 25. The Bill replaces an ordinance, promulgated earlier, which extended the provision of the Central Provinces Reclamation of Lands (Eradication of Kans) Act, 1948, to the Bhopal area. The ordinance was to have expired on January 27. The ordinance was promulgated following the decision of the Judicial Commissioner, Bhopal, that the Bhopal Reclamation and Development of Land (Eradiction of Kans) Act, 1954, under which the work of land reclamation and development in Bhopal was being carried out, was unconstitutional and void. The ordinance enabled the land reclamation work to continue.

INDUSTRY

Development of Handmade Paper Industry in Manipur: For implementing a scheme of development of handmade paper in Manipur State, the Ministry of Production have sanctioned a loan of Rs. 26,085, which represents 50 per cent of the non-recurring cost of building, machinery and working capital required for the scheme.

*

Standard for Handloom Cotton Lungies: An Indian Standard specification for handloom cotton lungies, striped or checked has been published by the Indian Standards Institution. This is the last of the standards included in this series of Indian standard specifications. This standard prescribes general requirements of the fabric, such as quality of yarn, freedom from defects in cloth, and specific requirements such as ends per inch, picks per inch, weight, breaking strength, width and length, colour fastness and scouring loss. Methods of test for the determination of the above characteristics have also been either included or referred to. The constructional details of different varieties were prescribed after a careful scrutiny of the manufacturing particulars and corresponding samples of handloom cotton lungies produced in different parts of the country and also the specification on the subject formulated by the Expert Committee of the All-India Handloom Board.

*

Production of Telephone Cables: The total length of telephone cables of different varieties manufactured at the Hindustan Cables Factory at Rupnarainpur in West Bengal between April 1, 1956, to the end of December, 1956, amounted to 437 miles. The production target for the year 1956-57 was 576 miles of cables. The scheme for the manufacture of coaxial trunk cables by the factory was finalised in the course of the year and production is expected to begin during 1958. When in full production it is expected that 300 miles of coaxial trunk cables would be manufactured every year in the factory. The cost of the scheme for manufacturing trunk cables is about Rs. 82 lakhs.

TRADE

Schedules to Indo-Soviet Trade Agreement Extended: Letters were exchanged in New Delhi recently between the representatives of the Government of India and the Union of Soviet Socialist Republics, extending the validity of the Schedules 'A' and 'B' attached to the Trade Agreement which was signed on December 2, 1953. The Schedules have been modified to include the following items:

Schedule 'A' (For imports into India) 1. Aluminium and 2. Rough Emeralds. Schedule 'B' (for export from India) 1. Cashew nuts, Hydrogenated oils, Footwear, Woollen Fabrics and Mica. The Trade Agreement is valid till December 2, 1958.

*

UK Trade with India in 1956: India, Ceylon, and Pakistan bought goods from the United Kingdom in 1956 totalling in value £226,366,686, and in return UK purchases of goods from the sub-continent totalled £203,435,297. These figures are given in the United Kingdom trade returns for last year, which have just been published. In 1956 India bought United Kingdom goods worth £167,837,042—£37,000,000 more than in the previous year. Britain bought Indian products worth £141,467,590. Britain imported from Pakistan goods worth £22,773,332, and sold her products valued at £32,603,869 Ceylon's trade with the United Kingdom in 1956 was: imports of British goods, £25,925,775; exports of Ceylonese products, 39,194,375.

*

Indo-Czechoslovak Trade Agreement Extended: Letters were exchanged recently in New Delhi between the representatives of the Government of India and

the Government of Czechoslovak Republic extending the validity of the Indo-Czechoslovak Trade Agreement up to March 31, 1957, pending further negotiations between the two countries. The Trade Agreement was signed on November 17, 1953, and was initially valid up to December 31, 1954. It was extended from time to time and was valid up to the end of 1956.

*

Export of Indian Engineering Products: A Delegation sponsored by the Engineering Export Promotion Council has left Calcutta for Nairobi on a tour to study African markets for Indian engineering goods. During its tour lasting three weeks, the delegation will visit Nairobi, Mombasa, Zanzibar, Dar-es-Salam, Addis Ababa, and Khartoum. Before returning to India, the delegation will pay a visit to Aden. A number of engineering goods from India are being imported into British East Africa. The prospects for improving this trade further are considered good. The markets in the Sudan and Ethiopia also offer scope for Indian engineering products. Aden being a free port caters to the needs of neighbouring countries.

*

UK Aviation Exports in 1956: British aviation exports last year passed the £100,000,000 mark for the first time. The December figure of over £7,000,000 brought the year's total to nearly £104,500,000. It was an all-time record, and beat the previous year's total by no less than 58 per cent. The Society of British Aircraft Constructors pointed out recently that exports of aircraft and parts, excluding engines, amounted to nearly £72,000,000—a figure far exceeding the total aviation exports of any previous year. Of this amount the USA took £17,200,000 worth, confirming its place as Britain's best customer. Australia was second with £11,000,000, and Sweden third with nearly £8,000,000.

FINANCE

Loan for production and Marketing of Handicrafts: Credit facilities for the production and marketing of handicrafts against firm orders and for supply of the products to the indentors, will be available to Indian Co-operative Union, New Delhi, by the loan of Rs. 28,000 sanctioned by the Government of India to the Union. The loan is repayable within one year from the date on which it is drawn and will bear an interest of 3½ per cent per annum.

*

Low-Income Group Housing Grants: During December, 1956, the Government of India distributed loans totalling Rs. 35 lakhs to two State Governments under the Low-Income Group Housing Scheme. Of this, Rs. 24.5 lakhs were paid to the Andhra Pradesh and Rs. 10.5 lakhs to the Punjab. During November, 1956, Rs. 13.13 lakhs were paid to Madras under the scheme. Out of a provision of Rs. 7.2 crores made for the current financial year under the scheme, Rs. 2.3009 crores were distributed up to December 31, 1956.

*

Aid to Sericulture Industry: In order to develop and popularise the sericultural industry, which is a major cottage industry in Dehra Dun valley, the Ministry of Production have sanctioned a grant of Rs. 30,240 to the Uttar Pradesh Government for utilisation in the current financial year. The grant, under which children in primary schools in the district would be given training in rearing silk worms from mulberry plants, represents 50 per cent of the total cost of the scheme. The training programme will be initiated in 10 centres in the first instance.

*

Funds for Road Development: A sum of Rs. 16,72,500 has been sanctioned by Government of India for road development works in Andhra, Bombay, Manipur and Uttar Pradesh. Statewise the break-up is: **Andhra:** For the construction of minor and major bridges on Pahadishariff-Kalwakurthi Road Section II in Mahbhoobnagar district at an estimated cost of Rs. 1,16,200, Government of India have sanctioned a grant-in-aid to the extent of Rs. 1,16,200. **Bombay:** A grant-in-aid of Rs. 8,42,550, being three-fourth of the estimated cost of Rs. 13,01,500, has been sanctioned for the construction of the Sub-section Tathowra to Mol, of the section Phaltan to Mol of the Phaltan-Aundh road. **Manipur:** Rs. 16,700 have been sanctioned for the reconstruction of Mabailok bridge on the Tiddim road; a sum of Rs. 1,18,100 for the surface painting of Moirang Kumbi road (28-33 miles); and for survey operation of new roads in Manipur during the second Five-Year Plan, a sum of Rs. 1,89,500 has been sanctioned. **Uttar Pradesh:** A grant-in-aid of Rs. 3,89,000, equal to the estimated cost, has been sanctioned for the improvement and reconstruction of the bridle road from Dharasu to Bhatwari in the Tehri district.

GENERAL

Total Number of Voters Throughout India Excluding Jammu and Kashmir: The total number of voters on the electoral rolls throughout India excluding Jammu and Kashmir State is 19.3 crores according to a statement prepared by the Election Commission. Uttar Pradesh with 3.47 crores voters has the largest electorate followed by Bombay with 2.43 crores. The following is the text of the statement: Andhra Pradesh: 1,76,60,665; Assam: 43,74,089; Bihar: 1,95,63,747; Bombay 2,43,86,525; Kerala: 75,59,047; Madhya Pradesh: 1,38,80,209; Madras: 1,75,99,056; Mysore: 1,01,23,618; Orissa: 79,51,805; Punjab: 91,12,743; Rajasthan: 86,93,031; Uttar Pradesh: 3,47,70,434; West Bengal: 1,51,18,061; Delhi: 9,76,306; Himachal Pradesh: 6,84,628; Manipur: 3,30,111; Tripura: 3,45,849. Total number of electors in the last general elections was 17,32,13,635.

*

N.E.S. Blocks for Andaman and Nicobar Islands: The Ministry of Community Development have allotted two National Extension Service Blocks to the Andaman and Nicobar Islands. One of these Blocks will be in the South Andaman area and the other one in Car Nicobar area. Work in both the Blocks will be started on April 1, 1957. The allotment of these two Blocks raises the total number of N.E.S. Blocks allotted for 1957-58 to Andhra, Assam, Bihar, Bombay, Madhya Pradesh, Madras, Mysore, Orissa, Punjab, Kerala, Uttar Pradesh, West Bengal, Rajasthan, Jammu and Kashmir and to Manipur and Tripura to 283.

*

Wage Board for Cotton Textiles: The Government of India have decided to set up a Central Wage Board for the cotton textile industry. The decision has been taken in pursuance of the recommendation contained in the second Five-Year Plan regarding the establishing of tripartite Wage Boards for individual industries. After some experience has been gained with the working of the Board, the principle will be extended to any other industry for which such a Board may be considered necessary. The Wage Board for the cotton textile industry will have, besides an independent Chairman, six members — two each representing the employers and the workers connected with the industry and two independent members. Announcement regarding the appointments of a Chairman and the members of the Board will be made shortly.

*

National Projects Construction Corporation: The State Governments of Assam, Bihar, Rajasthan, Madhya Pradesh, Kerala, Jammu & Kashmir and Orissa have agreed to participate in the National Projects Construction Corporation set up by the Government of India. The Corporation was registered as a private limited company recently. The participation of other States is under consideration of the respective Governments.

NEWS IN BRIEF

INDIAN

With effect from February 1, 1957, the rate of interest on advances to Schedule Banks against Government and other eligible securities under Section 17(4)(A) of the Reserve Bank of India Act, 1934, has been raised to four per cent per annum.

*

Loans and subsidies totalling Rs. 35,62,005 were sanctioned by the Government of India during November, 1956, for the construction of 1,617 tenements under the Subsidised Industrial Housing Scheme.

*

The Government of India propose to bring into force from February 15, 1957, the Act amending the Industries (Development and Regulation) Act of 1951.

*

The Government of India and Pakistan have ratified the Trade Agreement which was signed by representatives of the two Governments on January 22, 1957, at New Delhi.

*

A new Open General Licence, giving general permission to all persons to import from Pakistan goods specified in a Schedule attached to the O.G.L., has been issued by the Government of India.

*

The Government of India have decided to introduce an Apprenticeship Training Scheme to meet the ever-increasing demands for skilled craftsmen under the industrial expansion during the second Five-Year Plan period. It is proposed to train 5,000 apprentices during the period.

*

The Government of India have appointed an eight-member Team of Experts to advise them in formulating detailed schemes to cover all aspects of workers's education.

*

The Government of India have decided to introduce evening classes at important centres to help industrial workers better their propspects. In these classes, the workers will be taught shop arithmetic, blueprint reading and trade theory. About 10,000 workers are expected to benefit under the scheme during the second Five-Year Plan period.

*

Production of minerals in India during 1955-56 was. Iron ore—42,69,020 tons; Manganese-ore—1.64 million tons; Copper—7,281 tons; Gold—2,11,461 ozs. and Silver—1,52,883 ozs.

*

India produces nearly 50,000 tons of cashew kernels annually out of which over 30,000 tons are exported.

*

Over 11,100 villages and towns are proposed to be electrified during the second Plan period.

*

A sum of over Rs. 20 crores is proposed to be spent for the development of India's forest wealth under the second Plan.

*

The Indian leather industry provides employment to about 8,00,000 workers and earns foreign exchange worth over Rs. 23 crores per year.

FOREIGN

Sweden's total gold and foreign exchange reserves at the end of 1956—including the Riksbanks holdings and the net claims of the country's commercial banks—improved by Kr. 214 million to Kr. 2,765 million.

*

The Japanese Government hopes to increase exports from £892 million in the current financial year to about £1,000 million in the year commencing April.

*

The value of South African exports of prescribed materials under the Atomic Energy Act in November was £3,681,825 against £1,865,371 in the same month last year, according to a preliminary estimate by the Department of Excise and Customs.

*

China's textile machinery industry will produce 1 million spindles and 25,000 looms this year, of which a proportion—still unannounced—will be earmarked for selective export.

*

With the recent opening up of new manganese ore deposits Brazil will rank among the US's main supplies of manganese and will reduce the latters dependence on more distant sources, namely India, South Africa and the Gold Coast.

*

Nine Japanese shipping firms have decided to raise their freight rates on the Japan-New York line service by 10 per cent, the Nippon Yusch Kaisha Shipping firm announced recently. They will ask foreign shipping companies to act similarly.

*

Favourable attention has been given by Japan Export Association to a plan calling for sale of two fertilizer plants to Pakistan. Total cost will be $106 million. One unit with a daily capacity of 100 tons each of urea and ammonium nitrate will be set up in West Pakistan. East Pakistan will be site of a second unit with a daily capacity of 50 tons of urea and an equal amount of ammonium nitrate.

*

The Government of Kenya has announced a new loan of £2.5 million to finance new development projects.

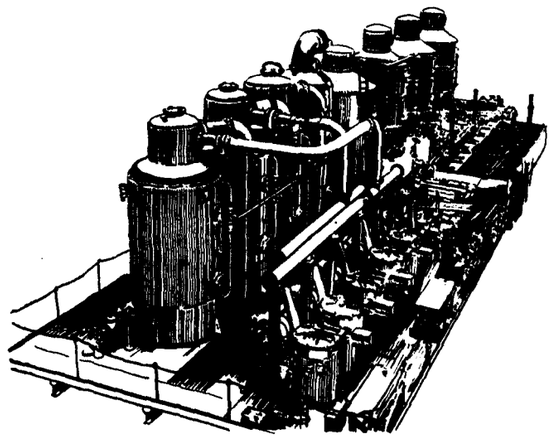
*

Germany's foreign trade surplus reached the new record level of £42.6 million in December, 1956. The previous peak, attained last April, was £34.7 million.

*

The Norwegian cost of living index rose to 139 points in December, after having been steady at 140 points during the preceding three months, reports the Central Bureau of Statistics (1949=100).

Evaporators and Boiling Pans



sugar mill equipment to be manufactured in India

Texmaco has just concluded an agreement with Stork Werkspoor of Holland, world's leading designers and manufacturers of sugar mill machinery, for the manufacture of Evaporating Plants, Vacuum Pans, Crystallisers, Dryers and other equipment.
Texmaco, pioneer manufacturer of a wide variety of engineering products, again opens another chapter in the history of India's industrial development.

Another TEXMACO Project ... serves India's basic industries

TEXTILE MACHINERY CORPORATION LIMITED

TXC-17

Special Articles

PRODUCTION OF MACHINE TOOLS

THE inauguration this week of the Development Council for Machine Tools marks an important landmark in the country's attempt at developing its heavy industry. Since the machine tool industry forms the basis of all manufacturing activity, it occupies the place of prime importance in the engineering industry. It also forms the backbone for the production of capital equipment. The Union Minister for Heavy Industries has hence aptly remarked that the state of the machine tool industry is an index of the technological advancement of a country in its engineering industry and machinery manufacture.

Another aspect to be borne in mind is that since it is a basic industry, its role is to be judged not only from the economic angle but from its strategic position. In the absence of a well-developed machine tool industry, the country has naturally to depend on imports of basic machines required for industrial production. This results not only in a drain on the foreign exchange resources but makes the country helplessly look out in making progress in a vital sector of the industrial field. Thus the setting up of the Development Council for machine tools underlines the fact that this industry is to be developed on its own right as a primary necessity for the nation.

It was under the stress caused by the second World War that the Government set up the Machine Tool Directorate which was authorised to take immediate steps to organise the industry and persuade the general engineering and jobbing workshops to enter the machine tool manufacture. In 1942, the total number of graded machine tools manufactured was only 273. It was 8,810 valued at Rs. 1,75,000 in 1946. A recent census of machine tools installed in the country showed that the country had over 80,000 numbers as at the end of December, 1956. Over 50 per cent of these were, however, older than 10 years which means that they have actually passed their normal useful life already. The census figures also reveal that the rate of installation of machine tools during the last five years is of the order of 4,400 machines per year.

It is, however, clear that whatever little progress has been made is not commensurate with the needs of an expanding economy and the rapid industrial growth envisaged. It is estimated that in the next five years, the requirements of machine tools may be of the order of 1,70,000. This figure is based on the relationship between the number of machine tools installed and the consumption of steel. With the current consumption of steel at 2 million tons annually and about 80,000 machine tools in operation, the requirement for the latter is likely to be doubled when steel consumption rises to 4½ million tons at the end of the second Plan. The revised Industrial Policy resolution has placed machine tools under Schedule B which means that in the programme of manufacture in this field, there is wide scope for both the private and public sectors. Hence there is no question of any clash between them in its development and they will have only complementary roles to play.

In terms of value, during 1951, machine tools worth Rs. 47 lakhs were produced whereas in 1956, the figure rose to Rs. 99 lakhs. However, imports which were of the order of Rs. 3 crores in 1951-52 also increased to Rs. 6.4 crores by 1955-56. So, based on the current demand for machine tools, which is about Rs. 8 crores annually, it is estimated that it would go up to about Rs. 15 to Rs. 17 crores in the next five years. In this context, therefore, Government's target that the industry should aim at a level of production of the value of Rs. 10 crores by 1960-61 seems to be absolutely necessary if the wide gap between demand and production is to be filled to a reasonable extent.

The problem now is how to set about on the task. There are at present three factories in the public sector: the Hindustan Machine Tools, the Praga Tools Corporation and the Machine Tool Prototype Factory at Ambarnath. The Machine Tool Committee appointed by the Government has recommended a broad base for the development of this industry. It has suggested that different types of machine tools can be developed by different units simultaneously to produce within two or three years such items as are required in large numbers. It has also urged modernisation of plant in some factories to carry out this broad-based development. It should be quite possible for the factories in the public sector to reach an annual production of Rs. 5 crores by the end of the second Plan and the balance of Rs. 5 crores has to be made up by the private sector by planning for expansion and by setting up new installations.

There is at present no manufacturing capacity for the production of heavy machine tools which are mainly required by the railways. As existing units in the country are not in a position to manufacture them, the Machine Tools Committee has recommended that Government should take the necessary steps to create capacity for the purpose. So far as lathes are concerned, though they are being manufactured successfully in this country (the Hindustan Machine Tools, which brought out its hundredth lathe this week, has surpassed its targets and has doubled its production as compared with the original target of 57 lathes fixed for 1956-57) the indigenous capacity for the manufacture of low price modern lathe seems to be small compared with the demand and this is a field that should be explored more intensely in the future.

The machine tool industry has to face a number of problems. One is the dearth of technical personnel, which is endemic in the entire field of industry. The advanced countries have developed their skill in the manufacture of machine tools as a result of long experience and so, for sometime to come, it is necessary for the country to go in for technical help from these industrially advanced countries. Government should also encourage greater foreign collaboration on satisfactory terms for further expansion of the industry. There is also need for sending a number of young men abroad for training in the latest methods of machine tool production for utilising their services here as the expansion programme of the industry gets into stride.

The Machine Tool Committee has stated that the greatest lacuna in the development of the industry is the absence of original design technique and the existing talent for machine tool design in the country is negligible. It has, therefore, suggested that particular attention should be given to engage the services of first class designers from abroad. At the same time, carefully selected young engineers should be sent to factories abroad for necessary design training. Then there is also the question of maintaining quality and standards. Here again the Committee has made a valuable suggestion. It has recommended that it is not enough

if the machine tool satisfies certain geometrical tests when manufactured but they should maintain this accuracy for a long time and to ensure this, there must be periodic inspection after installation. Here is a challenge to the manufacturers to keep abreast of the developments abroad to see that good quality is maintained by the industry.

Shortage of essential raw materials like pig iron and steel is another shortcoming the industry has to face and along with it financial assistance for expansion or installing additional plant and equipment. In both these respects, Government have a responsibility to see that the handicaps in the way of the development of the industry are removed. Finally comes the question of protection. Government have stated that they are against any general raising of import duty on machine tools and the only course therefore open to protect the indigenous products from similar imported products is by exercising import control.

In view of the fact that the public sector is bound to loom large in the manufacture of machine tools, it is most relevant to recall the revealing criticism of the Colombo Plan expert, Mr. J. D. Scaife, in regard to the working of the State-owned factories at Jalahalli and Ambarnath which caused some controversy year before last. Mr. Scaife had especially drawn attention to the large percentage of idle capacity in the country ready to be made use of to minimise the country's dependence on imported tools. It had been estimated on the basis of answers received in another official enquiry that hardly 60 per cent of the capacity would be utilised for peak production of tools. This is a very serious state of affairs and certainly the problem of bringing idle capacity into use cannot be overlooked. The Development Council for Machine Tools (the 11th of its kind) has come not a moment too soon and its activities will be watched with great interest in the proper planning and acceleration of the programme of production of machine tools.

CAPITAL EXPANSION UNDER COMPANY LAW

(By C. V. NARAHARI RAO)

IT will be interesting to start with the definition of "capital" under the Companies Act of 1956. There is only one definition in Section 2(32) of "paid-up capital" or "capital paid-up". In other words this can be treated as "subscribed capital", which expression is also freely used in the Act, for example in Section 81, though the term has not been actually defined. Sections 85 and 86 speak of two kinds of share capital: "Preference Share Capital" and "Equity Share Capital". But other commonly used expressions such as "issued capital", "authorised capital" (used in Section 97) have not been defined at all in the new Act and have to be understood as formerly in their ordinarily accepted sense.

The memoranda of association of companies have necessarily to contain a clause relating to the number of shares, denomination of each share and total value of what is called "authorised capital" and when we say "share capital" we usually mean the former, though one may follow up a further question "Is it fully paid-up?", to understand completely the position of a company's capital. It is nowhere categorically stated in the Act that "share capital" shall only mean "authorised capital" (apart from the two kinds of share capital mentioned in Sections 85 and 86), though when a company is registered at first its share capital is known only by its "authorised capital" as it will not be known initially how much of this capital which is going to be issued will be actually subscribed or paid-up. While the fact is that the "paid-up" or "subscribed" capital is represented by the value of the shares there is no reason why each of these should not more appropriately be called "paid-up share capital" or "subscribed share capital", as is generally done. In other words, there is no particular point in restricting the meaning of "share capital" only to "authorised capital", as is sought to be done in some quarters. The question assumes some importance when a company seeks to increase its share capital, for it may be asked whether it is the increase of the authorised capital or paid-up capital or both.

As a first preliminary for any proposed issue of fresh capital, whether by way of increasing the subscribed capital by issuing new shares which will form part of the increased share capital (i.e., authorised capital) or by way of making up the unsubscribed original capital after the first allotment, the consent of the Government of India has to be obtained by an application under Section 3 of the Capital Issues (Continuation of Control) Act of 1947, unless exemption is secured under Section 6 thereof. Consent of the Controller of Capital Issues is not made necessary for exceeding the present limit of authorised share capital even if the total value of the paid-up capital of the company after the subscription to the new shares should happen to exceed the present authorised share capital limit. Nevertheless, a public limited company having a share capital cannot issue any fresh shares over and above the authorised limit without amending its memorandum of association in this behalf. Such amendment could be made only by virtue of Sections 13, 16, 17 and 94(1)(a) of the Companies Act of 1956, if such alteration of the memorandum is authorised in the company's articles of association.

There are two sections in the new Companies Act, namely 81 and 94, which deal with increase of capital. The former appears immediately below a main topical heading "Further issue of capital" and with the same title for the marginal heading of the section. The marginal note of Section 94 is "Power of limited company to alter its share capital," while sub-section (1)(a) of it deals also clearly with "increase of share capital by issuing new shares". Both sections are therefore concerned with increase of capital (in its fullest sense) and it is a question which particular section applies to an instant company. It cannot be stated that Section 94 alone applies to a company, for the actual procedure to be followed in increasing the capital is laid down in sub-sections (1)(a) to (d) of Section 81. The distinction between Sections 81 and 94 is that the former treats of additional issues of capital in a company while the latter treats of not only that but also alterations in capital such as consolidation and division of all or any of its share capital into shares of larger amount, of conversion of all or any of its fully paid-up shares into stock or reconversion of that stock into fully paid-up shares of any denomination, of sub-division of its shares and cancellation of shares which at the date of the passing of the resolution have not been taken up. In the same way it cannot be stated with any dogmatism that Section 81 is quite independent of Section 94, for example at least in so far as in issuing the new shares there is any attempt to sub-divide, consolidate, or do any of those things which are mentioned in the latter section.

Sub-section (1) of section 81 states that the offer to existing shareholders will have to be made "subject to any directions to the contrary which may be given by the company in general meeting, and subject only to those directions". Under Section 94(2) it is clearly stated that the powers conferred by Section 94 shall be exercised by the company in general meeting. It is stated that there is not such a specific enjoinment on the company in Section 81 to call for a general meeting when the new issues will be restricted within the authorised limit of capital. One argument is that a general meeting will be necessary only if there are any directions to the contrary to be given by the general meeting to the company and not when otherwise. This argument cannot be valid for the simple reason that unless the general meeting is convened it will have no opportunity to express any opinion, whether contrarily or approvingly. The Board of Directors of the company will be taking unwarranted responsibility on themselves to make the offers straightaway to the shareholders (more so if to others) without any directions from the general meeting of shareholders. Then the shareholders will get deprived of their right under Section 81 to express their opinion, and it will amount to a contravention of the law.

Another argument is that the general meeting referred to in the section is not one which has to be convened for the specific purpose of the issue of the new shares but it would be sufficient if a general meeting at any other time, even at the commencement of the business of the company, had laid down general principles in this behalf. The suggestion is far-fetched having regard to the language of Section 81. The general directions given at the first general meeting could only mean the rules and regulations of the company as embodied in the memorandum or articles of association of the company which should have been approved at that general meeting. When it is apparent from the language of Section 81(1) that the new directions which the general meeting may give may even override or modify the existing provisions in the articles of association—compare sub-section 81(1)(c)—the obvious intention of the legislature should have been that the general meeting alone should come to a decision on what terms and conditions the new shares should be issued in the special circumstances at the moment. And when the bulk of the new shares is ordinarily going to be issued 'pro rata' to themselves in the first instance it is but perfectly legitimate that in a common meeting they should decide whether the new shares will be beneficial to them and also whether they are willing to make further investments in the company.

The reasonable view to take is that there cannot be any difference of opinion on the point that the general meeting spoken of in Section 81(1) is one to be held now or in the immediate future, called for the sole purpose of deciding the terms for the new offer and to give directions to the Board for proceeding with the allotment accordingly. The Report of the Company Law Committee in para 52 is also helpful in arriving at a conclusion on this issue. In re-drafting Section 105-C of the Companies Act of 1913 on which the present law is based, the Committee has explained: "In order to resolve conflicting judicial decisions and to clarify the intentions of the legislature, as we understand them, we propose that this section should be concerned with all the increases in the subscribed capital of a company after the first allotment has been made. Our recommendations on this point are as follows: (i) that the additional capital should be offered to the holders of equity capital in the company in proportion to their holdings of paid-up capital unless the company in general meeting sanctioning the issue decides to the contrary;.....(iv) that subject as above, nothing in the company's memorandum or articles of association or in any agreement with a third party should authorise the directors to dispose of the new shares otherwise." It seems to be apparent from the above that the directors have no power to dispose of the new shares without consulting the general body of shareholders, notwithstanding any existing provisions in this behalf in the company's articles of association.

It has also to be remembered that the power of the directors for disposal of the shares newly to be issued is different from the power of allotment given to them. The power of allotment arises only at a later stage after the general body of shareholders have given the necessary instructions in this behalf for disposal. The power of disposal by themselves arises from the effect of the renunciation or declining or refusal of acceptance or in the only contingency of the impossibility of giving directions for allotment on a 'pro rata' basis to existing shareholders of the new shares by the general body.

BOOK REVIEWS

THE MAHATMA

Gandhian Technique and Tradition: By R. N. Bose, M.A., I.A.S.: Published by the All-India Institute of Social Welfare and Business Management, Calcutta 7: Pages 227: Price Rs. 5.

Gandhiji touched nothing which he did not adorn. With him social life was an integrated whole, and practically every part of it received his alchemic touch and carried the impress of his dynamic personality. In every field of social endeavour in which he operated the quintessence of his effort lay in a kind of humanism which, paradoxically, had in it a divine content. With such a unique personality harmonious relations between capital and labour constituted an article of moral faith. Gandhiji, however, was no mere preacher, for he practised what he preached in the Ahmedabad Textile Labour Association which he helped fashion in his own unique way. The healthy influence he exerted over a considerable part of the Indian trade union movement over a period of 30 years till his last days is not only still alive but shows promise of growing in the context of our Planners' advocacy of workers' partnership and participation in management which is, perhaps, a variant of the Gandhian concept of 'marriage of capital and labour'. The Gandhian technique in industrial relations is, therefore, a fascinating field for study. The All-India Institute of Social Welfare and Business Management and its able and devoted researcher Mr. R. N. Bose (who is Labour Commissioner, West Benagal, and also part-time Professor of Industrial Law in the Institute) amply merit congratulations on their pioneer work.

The book is in two parts—the first part dealing in particular with the Gandhian philosophy of labour. The Gandhian way in industrial relations, the Gandhian principles and techniques in solving disputes, the Gandhian Plan for improvement of labour-management relations, the Gandhian scheme of wages and the Gandhian trade unionism are all lucidly described. Gandhiji's views on bonus, labour indiscipline, climate of conciliation and workers' partnership and participation in management are also presented in an equally lucid manner. The second part of the book dealing with the Gandhian legacy in other spheres contains, besides, a noteworthy comparative study of Gandhiji and Jefferson and their thoughts.

As even this illuminating book in its brief compass does not quite exhaust all the details of the Gandhian technique, the author has rightly taken on hand a more ambitious research project covering the entire Gandhian heritage in Indian trade unionism. Being in part a piece of historical research into the concrete methods by which Gandhiji actualised his ideas in the period 1917-47, it calls for a good deal of field investigation. The project would also cover such issues as industrial urbanisation, workers' standard of living, trade unionism in a socialist order of society, labour welfare, etc. With possible assistance from the Central Government, Mr. Bose, one hopes, may well succeed in what, by all accounts, is a worthy and timely endeavour in the cause of class harmony and thus of social stability. In this noble work the Institute may possibly welcome encouragement from the principal organisations of employers and of employees alike, which have a stake in sound and cordial management-labour relations.

PLANNING

Yojana: An English fortnightly: Edited by Khushwant Singh: Published by the Ministry of Information and Broadcasting, Government of India, Delhi-8: First issue dated January 26, 1957: Pages 20: Price Annas Two.

Yojana means Plans. It sounds as a very felicitous name for a periodical charged with the task of carrying the message of the second Five-Year Plan and of bringing knowledge of its various projects to villages, co-operatives, panchayats and other voluntary organisations and to public servants and non-official public workers. The potential market for the present English and Hindi versions of "Yojana" and for its projected versions in all regional languages is large and thus very inviting. It may not be difficult for a journal so well conceived and edited as "Yojana" to reach in the first instance tens of thousands of readers in a potentially larger market. The readership may well run into several lakhs if arresting photographs, purposive stories and articles easily intelligible to the laymen come to be supplemented by simple dialogues and telling cartoons. If the English version of "Yojana" is merely translated into different languages the results may be disappointing unless, of course, the English version itself is so simplified as to be digested effortlessly by a person who has not been able to go beyond the higher elementary or the secondary stage in education. This aspect may also be very much in the minds of the publishers. It is not, therefore, too much to hope that "Yojana" may come to command in due course a circulation large enough to pay its own way without much of either Government subsidy or private advertisements.

THE ECONOMIC WEEKLY

The Economic Weekly—1957 Annual Number: Published at 15, Tamarind Lane, Fort, Bombay-1: Editor Sachin Chaudhuri: Pp. 150: Price Rs. 2-8.

The recent heavy withdrawals from the country's sterling balances and the upward revision of the estimates of foreign exchange requirements of the second Five-Year Plan have naturally caused considerable disquiet about the prospects of the fulfilment of the Plan as scheduled. It is, therefore, very appropriate that our contemporary from Bombay in its latest Annual should have launched on a discussion on this very vital and topical question of the foreign exchange gap through a number of articles. It may be of some comfort to our planners that the conclusion reached—though with a lot of reservations and qualifications—is optimistic enough and the problem made to look not so intractable. Among the notable articles in this section is one by Dr. B. N. Ganguli who has made a timely warning in respect of the export trade of the country and has pleaded that it is high time we kept the prices of our actual and potential commodities on a reasonably competitive level. Mr. V. K. Ramaswami has analysed the mechanism of import control and tried to show how it takes into account the changing needs of the economy as a result of industrialisation. Among other articles in this section, there are two provocative ones, one on "Delhi's quest for loans and Export credit" which deals with the investment climate of the lending countries and the other on "Foreign Exchange reserves, where the question is posed whether the present statutory requirements about minimum reserves should not be modified to give the country greater freedom in the immediate future.

Apart from this section, the Annual has also devoted considerable space to the other aspects of the Indian economy like Agriculture and Community Development and Money and Prices. Mr. M. L. Dantwala has written on "Dawn at Koraput" where he discusses how this district in Orissa is making a great experiment in Bhoodan movement which has taken the form of gramdan. The subject of co-operative farming, so much in public discussion, is treated in an objective way by Amlan Datta. Mr. I. P. Desai's article on "Changing profile of an Indian City" where he has discussed the results of the recent survey of Poona is revealing inasmuch as the occupational structure of the population has not materially changed. The Number also contains well-informed articles from foreign contributors who include John Kenneth Galbraith who writes on "The National Economy of the United States", Daniel Thorner and Shigetu Tsuru. Politics is also not neglected. Mention can be made here of the article on "India's First Elected Parliament" by C.V.H., discussing the achievements of the country's supreme legislative body in the various fields and on "The state of the Congress" by Sisir Gupta. Altogether, the Annual is a well-brought out number where there is a good deal to provoke one's thought, and this at a modest price.

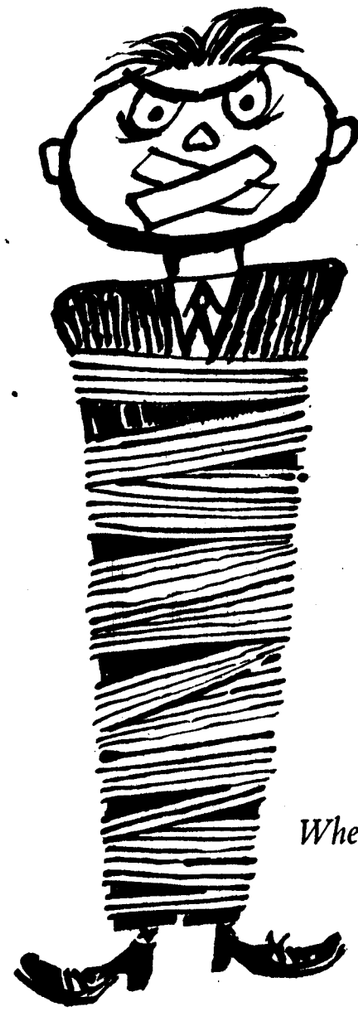
MINING

Indian Mining Journal: Special Number on Coal Washing in India: Edited by H. Ghosal, 6/2, Madan St., Calcutta-13: Pages 106: Price Rs. 5.

The Special Number of the Indian Mining Journal, carrying altogether 22 articles, deals with a cross-section of the problems of coal washing in India. Coal washing on which depends the efficiency of the Iron and Steel industry presents peculiar problems. Researches have shown that Indian coals are generally 'unwashable' in the common sense of the term. What happens on gravity separation with Indian coal is that a heterogeneous inconsistent mixture is often sorted out into several consistent grades of coals, the proportions of which vary according to the nature and the size of the coal and the method of washing adopted. All this needs serious thinking on the part of the planners, the consumers and the producers specially at a time when big washing plants are to be set up. (It may be recalled incidentally that the largest washery in Asia has already been finalized for the State collieries at Kargali). All these technical matters are dealt with elaborately in the Number. The articles were originally contributed as papers mostly by eminent technologists to a symposium on coal washing organised by the Fuel Research Institute.

The Special Number should be particularly useful to industrialists, coal technologists and researchers in the field.

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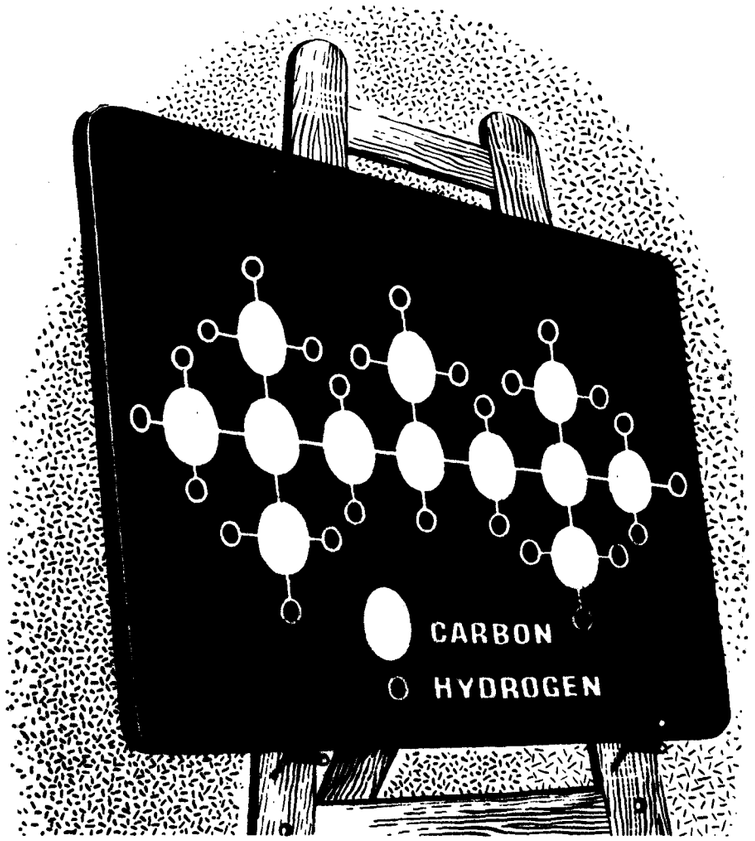
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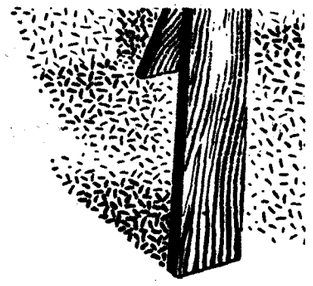
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- 'FIREFLY' ASBESTOS PRODUCTS
- SPRAYED 'LIMPET' ASBESTOS
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Economic Report from the U. S.

OPTIMISTIC OUTLOOK FOR 1957

(By GUY SIMS FITCH)

WASHINGTON, Jan. 29.—Economic activity in the United States is off to the favourable start generally expected for 1957. It is too early, of course, to tell whether the trends now apparent will hold for the entire year, but some significant clues exist. The National Association of Purchasing Agents who buy the supplies and equipment needed by American industry, are in as good a position as any to scrutinize the current business scene. What they see is an underlying and unshaken confidence, tempered by a salutary dose of caution.

Thus, their report for the month just ending shows a moderate upturn in new orders, a slowly rising production curve, and a continued high level of employment. Their chief worry at the moment seems to be the upward movement of prices. Most of them are attempting to hold down the cost of the materials they buy, to give their companies a good competitive position in consumer markets. Some of these business executives also point to problems raised by the current tight money situation—a situation which makes it harder for their companies to finance the purchase of needed equipment and the expansion of productive facilities. Nevertheless, most of them favour the Government's restrictive monetary policies as a sound move, since inflationary forces are still present in the economy.

Supporting the views of these purchasing officials are the continued high business outlays for new plant and equipment. Financing difficulties and narrowing profit margins have caused deferment of some projects but most of the capital outlays now being made were decided on a year or more ago. As part of long-range programmes, they are not likely to be put off.

On the consumer side, too, there are some interesting clues to the economic future. The Survey Research Centre of the University of Michigan has just completed an analysis of consumer buying intentions. This periodic survey, which has proved an accurate barometer in the past, visualizes no major change in the steady rise in consumer spending in 1957. Consumer confidence appears as high as ever, and most people feel as well off financially as they did a year ago. More significantly, perhaps, fewer people feel worse off than it any time in the past four years. This does not mean that the consumer will give the economy a great forward shove in 1957, as he did in 1955. With the economy already operating in high gear, that kind of a shove is in fact not needed. The Survey does picture the consumer, however, as a satisfied and optimistic person who can be counted on to contribute his share to the nation's momentum.

Aside from these private sectors, which account for about 80 per cent of the economy's activity, governmental expenditures also may be rising this year under the twin stimuli of larger outlays for collective security as well as for public service programmes. On balance, then, the first month of 1957 shows that the trends so far are in line with the forecasts. These were that 1957 would see another moderate rise in US economic activity, accompanied by some price increases but with the prospect that the underlying prosperity and stability of the economy will be maintained.

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OFF TO A GOOD START

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The Business World

HAVE WE A BANK RATE?

By

CROESUS

IT was certainly a novel idea that the Reserve Bank of India struck upon when, last week, it bargained for achieving the same results as by a straight increase in the Bank Rate without actually doing so. This, it sought to do by raising the rate of interest on advances to scheduled banks against Government and other eligible securities to 4 per cent per annum, with effect from 1st instant. Opinion is bound to differ, however, on whether it is this action which has led to the all-round hardening of short-term interest rates. For it is known that such a trend has been in evideence for quite a while past; actually, some banks it would appear, had informed their clients that the rate of interest on advances would be raised even before the surprise decision of the Reserve Bank was made known.

Be that as it may, the latest decision of the Reserve Bank has caused a certain amount of genuine confusion even in informed circles. The question has actually been raised by a contemporary as to what, according to the Reserve Bank, the Bank Rate is today. The Reserve Bank will perhaps point to Section 49 of the Reserve Bank of India Act, 1934, and say that the Bank Rate is the rate "at which it (the Reserve Bank) is prepared to buy or rediscount bills of exchange or other commercial paper eligible for purchase under the Act". Now, if this definition is literally interpreted, I wonder whether anyone can seriously claim that we have, in fact, a Bank Rate at all. Strictly speaking, the Reserve Bank is neither buying nor rediscounting bills of exchange or other commercial paper eligible for purchase under the Reserve Bank of India Act. And some go further and say — quite rightly — that, with all the restrictions on dated maturity and third party custody that we have in India in regard even to these eligible commercial paper, we can hardly profess to have a full-fledged bill market as in advanced western countries, granting, for the sake of argument, that the Reserve Bank does buy or rediscount such paper. This is, however, a situation for which the Reserve Bank is hardly to blame; it cannot certainly be blamed for a fault which is rather that of the framers of the Act who incorporated this section in the Reserve Bank of India Act presumably bodily from the Central Banking Legislation of other dominions, without taking into account conditions peculiar to our country. In so far as the scheduled banks have at least been allowed to draw money against what are called "usance bills" and not only against Government securities, credit must be given to the authorities of the Reserve Bank for having created conditions approaching as nearly as practicable in this country to the real bill markets in Western countries. The popularity of the usance bill scheme which has been in vogue since 1952, can no longer be questioned.

The latest decision of the Reserve Bank means that, whereas the so-called Bank Rate (or the Usance Bill Rate, for the sake of convenience) — exclusive, of course, of stamp duty — remains unaffected at 3½ per cent, the rate at which the Reserve Bank will advance money against Government securities will be 4 per cent, that is half a per cent over and above the Bank Rate or the Usance Bill Rate! Unless it be to cause a further credit squeeze, if it is not to get over the undertaking to the electricity industry, as suggested in certain quarters, it is not clear as to what the intention of the Bank is in taking such a sudden decision. I reliably learn, for one thing, that this has not been done with a view to discouraging scheduled banks from approaching the Reserve Bank for accommodation against Government securities, inasmuch as, with few exceptions, the portforlio of Government securities of nearly every Bank has already reached an irreduciably low level, so that, even if they want to, they cannot dump Government securities on the Reserve Bank. Some explanation, therefore, is clearly called for from the authorities in this behalf, if only to throw light on the decision for lay men like me, if not for experts on banking.

Meanwhile, I wonder whether it is at all a proper policy to charge a higher rate of interest on advances against Government securities than on advances against usance bills, which is what it will amount to in fact. In other words, can the authorities themselves regard commercial paper as a relatively better security for making advances than Government securities? For, although, together with the stamp duty, the total incidence to banks of even the usance bill may come to about 4 per cent, taking the interest rate as such, that on advances against Government securities now becomes comparatively higher or costlier. Is it not axiomatic in banking that the higher the rate of interest charged, the greater is the risk element involved? The authorities must weigh the consequences of any such psychological reaction in the minds of prospective investors in Government securities, especially when they have a heavy borrowing programme ahead of them.

TRADE BETWEEN INDIA AND DENMARK

WITH the recent visit of the trade-cum-goodwill delegation from Denmark, bright prospects for the expansion of Indo-Danish trade have been envisaged. That there was great scope for expanding the trade between Denmark and India was reiterated by Count K. G. Knuth-Winterfeldt, leader of the delegation. Count Knuth-Winterfeldt detailed the ways in which Denmark could help India in the implementation of the industrial and agricultural schemes of the second Plan.

During its stay for over a fortnight the delegation concentrated on the expansion of the trade between the two countries which in recent years has assumed a rising trend. It was no purpose of the delegation to negotiate any bilateral agreement as Danish trade policy is at the present time liberal as it has always been by tradition and also because business men and influential politicians aim at the freest practicable conditions for the foreign trade. It is interesting to note that Denmark has liberalized her imports from OEEC countries up to 84 per cent based upon the importation in 1948 and during the past year the Danish authorities have extended a part of the liberailization to the Dollar area.

In respect of trade, it is noticed that the balance of trade has been consistently adverse to this country. Although India's exports to Denmark have risen from Rs. 1.11 crores in 1953-54 to Rs. 1.29 crores in 1954-55, to Rs. 2.04 crores in 1955-56 and to Rs. 1.06 crores in April-October, 1956, the increase in imports from Denmark has been more pronounced with the value rising

from Rs. 1.63 crores in 1953-54 to Rs. 2.11 crores in 1954-55, to Rs. 4.18 crores in 1955-56 and to Rs. 2.73 crores in April-October, 1956. Among the items exported from India to Denmark are jute and coir manufactures, cotton textiles, tobacco and tea, while imports include machinery, vehicles, chemicals, provisions, drugs and medicines. As regards exports from Denmark to India the most important increases have been in machinery (non-electric), chemical raw materials and compounds, explosives and miscellaneous chemicals. Imports into Denmark from India have increased notably in animal products and casings, coffee, tea and spices, fodder, timber and forest products, vegetables and animal oils and fats, yarn piecegoods and other piecegoods.

It is not only in regard to India that Denmark has been able to increase its foreign trade; with Western countries too she has increased her foreign trade considerably. Statistics reveal that total Danish foreign trade has been steadily increasing since the end of the Second World War. In the year 1955, exports amounted to 7.2 billion Danish crowns and imports to 8.1 billion. These figures are the highest ever reached and as the Danish population count only about 4.4 million it will be seen that the export per capita in 1955 was about 1680 Danish crowns or 240 dollars. The reason why Denmark has been able to build up its trade and industries is due to the advantages of transportation offered by her favourable location close to the seas. In fact, Denmark has virtually no raw material resources. The country lacks coal, iron and all other metals. It may sound strange but it is a fact that it was Danish agriculture that prepared the ground upon which the important Danish industry and trade has been built. In former days Denmark was predominantly an agricultural country and this sector of the economy still plays an important part in Danish society.

With this background of the trade and economy and the wide range of goods which can be exchanged between India and Denmark it is safe to aver that there are large openings for Indo-Danish trade. The openings in India exist in quality machinery, fishing and more than anything else in dairy industries, cement, tractors, railway rolling stock and office machinery. Danish export goods, such as dairy equipment, milk products, pharmaceutical machinery and canned goods are well received in the Indian markets and their export can be further increased. In return there exist possibilities of developing further markets in Denmark for Indian goods, such as textiles, handicrafts, coffee, tea and tobacco. It is high time these possibilities were explored intensively by appointing a full-fledged commercial office so that the import and export markets there could be closely studied and commercial intelligence made regularly available to India. Indian exports have, of course, to take special care to build high reputation for quality and prompt performance according to terms of contract. There is need of frequent contacts between representatives of business organisations in Denmark and Indian firms in order to obtain technical know-how in fields like manufacture of machinery for the execution of the second Five-Year Plan. It is now for trade interests in both the countries to stimulate expansion of the two way traffic.

Economic co-operation between the two countries can be extended to other fields. That Denmark will be able to help India in the implementation of the second Five-Year Plan by supplying machinery and technical know-how is indeed heartening to the country. During the course of its discussion with the Planning Commission, the trade delegation gave the impression that Denmark might consider collaboration in the manufacture of diesel engines and dairy equipment. Denmark could build ships, tankers and fishing boats for India. While the latter could be delivered within seven or eight months from the time the orders were placed, ships of about 9,000 tons could be delivered either in 1961 or a little later. Although Denmark would not be in a position to offer long term credit for the supply of machinery, she could at least credit up to three or four years. There is the possibility of India importing Danish breeding cattle and poultry for cross breeding to improve her quality of cattle and poultry. While the offer of credit for three to four years duration is welcomed, it is felt, perhaps credit for slightly longer periods might be necessary in view of the recent restrictions on import of capital goods. The view is that payment before the arrival of imported machinery should not exceed 20 per cent of its value and the balance should be repayable in not less than seven years after the arrival of machinery in the country.



BUSINESS NOTES

MINIMUM WAGE FOR COAL MINERS

IN DECLARING its award on appeals preferred against the decision of the All-India Industrial Tribunal (Colliery Dispute), the Labour Appellate Tribunal (Special Bench) has been apologetic that the minimum wage which it was fixing would fall short of what could be necessary to sustain a comfortable living.

The Appellate Tribunal's claim that increases in the emoluments of coal miners will not entail any increase in the price of coal does not hold water. There are certain positive elements which would inevitably inflate production costs and therefore the selling prices of coal. Dissenting from the lower Tribunal, the Appellate Tribunal has separated the statutory bonus from the minimum wage which has been fixed at Rs. 69-1-0. This change would mean that there would be an increase on this account in the total emoluments of annas five per day which the statutory bonus provides. It must be remembered that this bonus is statutorily fixed on the plea that in its absence there would be a spate of demands in different coal mines for bonus from year to year. The bonus does not bear any relation to the profits of coal mines or productivity of workers. The Appellate Tribunal has applied the principle of equal pay for equal work and has raised the minimum wage for women miners from 75 per cent of the wages of male miners as granted by the lower Tribunal to parity. In the third place, the dearness allowance has been linked to the cost of living. This arrangement would certainly introduce a factor of instability and uncertainty in wages and the cost structure of the industry. Furthermore, the work loads have been reduced in the case of some regions.

It will be recalled that the Award of the lower Tribunal had made it imperative to increase the price of coal by Rs. 3 per ton. Experience in the interim period has shown that this increase is not adequate. It is, therefore, clear that the additional burden which will be placed by the liberal variations made by the Appellate Tribunal will exert pressure on prices. It would be a happy outcome if the concessions granted by the Appellate Tribunal will reduce absenteeism and stimulate workers' productivity as the Appellate Authority hopes. Past experience does not necessarily corroborate this optimism.

EXPANSION OF SHIPBUILDING

MR. N. R. PILLAI'S annual presidential speech which was delivered on January 25 last, shows that the Hindustan Shipyard has started gathering momentum in its building activity. The first ship in the series of modern diesel ships whose construction has been taken up in the yard was completed last year. The "State of Kutch", the largest ship built at Vishakhapatnam, was launched and work on the first naval craft was begun. There was, however, a slowing down of the rate of construction because of difficulties of delivery of steel and shortage of trained technicians. Adequate quantities of steel are being procured to last up to the middle of 1958, while training of skilled personnel is proceeding at a modest speed. Certain works are to be completed before the rate of production can be raised from 2½ ships to 4 of the latest diesel type per year. The dry dock on which preparatory work has been started must be completed. How long it will take to set up the factory to build marine diesel engines, it is not easy to be positive. Schemes furnished by foreign firms which have offered collaboration are under scrutiny. Besides these, other ancillary schemes will need to be started. But expansion of Vishakh yard is proceeding steadily and the rate of progress is reassuring.

Development of shipping which has been so tardy hitherto seems to be threatened in the near future too. The Hindustan Shipyard has its limited capacity fully booked until the end of the second Plan. Foreign shipyards, too, have their order books full up to April 1961. The only solution in the next five years to expand the merchant navy speedily is to obtain second-hand "Liberty" vessels from the United States mothballed fleet. Efforts in this direction are under way. Owing to the limited sources of supply, the Planning Commission has earnestly started preparing the schedule of expansion in the third Plan. Unless orders for delivery in the third Plan period are placed now, the chances of expansion appear restricted. The second shipyard will have to be constructed in the earlier phase of the third Plan. A British team of shipbuilding experts has been made available to India under the Colombo Plan technical aid programme. Its task will be to recommend a suitable site and to draw the first project report. Technicians for this yard will be drawn from the pool which is being developed at Vishakhapatnam. The overall prospect of imports until the end of the third Plan and expansion of domestic building capacity urgently call for the greatest vigilance in implementing the schedule of expansion of tonnage. Earlier pitfalls in the working of the Vishakh yard ought to serve as severe warnings.

CULTIVATION OF QUALITY TOBACCO

THE DELIBERATIONS of the recent meeting of the Indian Central Tobacco Committee and the Tobacco Research Workers' Conference have been quite fruitful in so far as they have helped in focussing immediate attention on stepping up the quality of Indian tobacco. As a cash crop, tobacco has proved a "veritable gold mine" for the country. It has contributed Rs. 35.6 crores to the Union exchequer as its share of excise duties during the last year and it gives to the producer on an average Rs. 32.4 crores every year. Besides, as an earner of foreign exchange, it has helped the country earn Rs. 11 crores a year and this gives it a strategic importance which the second Plan has recognised and hence stressed the need for stepping up its export.

But demand in the importing countries is becoming more and more exacting and discriminating and here, therefore, one has to face the question of quality. The Union Minister for Agriculture pointed out how the British purchaser was becoming more and more meticulous about quality in his purchases and if that aspect were left unattended, it was likely to affect the export trade to a considerable extent and undermine tobacco cultivation. It is true that of late some new markets have evinced interest in Indian tobacco, especially China and some countries in Europe, Africa and the Middle East. In view of the fluctuating conditions of foreign trade and the shifting national policies, India cannot depend entirely on one country and has to be in touch with the market conditions of various countries for catering to their demand. Realising the urgency of the matter, the Government have, therefore, provided, additional funds to the Central Tobacco Committee for intensification of research mainly with a view to improving quality during the second Plan period. The question of quality, it must however be noted, has relevance not only with regard to exports but for internal consumption also, for it is obvious as the standard of living improves, there will be increasing demand for quality tobacco for the growing cigarette industry, which has shown good recovery since 1955.

BALANCE OF PAYMENTS DURING 1948-1956

INDIA'S OVERALL balance of payments during the eight-year period ending March 1956, as comprehensively reviewed in a Reserve Bank of India publication, shows a trade deficit of Rs. 387.4 crores. This excludes errors and omissions, outflow of private capital, and

official long-term transactions which bring the total up to Rs. 969 crores. The combined receipts of official donations and loans amounting to Rs. 223.4 crores, however, reduced the net deficit requiring accommodation from official assets and other sources, to Rs. 745.6 crores. Loans received aggregated Rs. 125.4 crores, the vast bulk of which (Rs. 121 crores made up among others of Rs. 909 crores US wheat loan and Rs. 30.2 crores from the World Bank) went to help in augmenting the resources for the first Plan. The foreign exchange assets dropped during the period by Rs. 720.7 crores and foreign exchange liabilities rose by Rs. 22 crores.

The review has divided the eight years into three distinct periods. The first covers 1948-49 to 1951-52 and has been described as one of 'inflationary pressures and shortages'. The second, termed as a period of 'mild recession' ends with 1953-54, and the last, ending March 1956 has been called a period of 'expanding economic activity'. The trade deficits during the first period amounted to Rs. 610 crores. The second period witnessed a sharp decline of the deficits to Rs. 83.2 crores, while in the third they went up to Rs. 109.5 crores. The average annual deficit for the first Plan period has been worked out at Rs. 103 crores compared to the much larger figure of Rs. 275 crores annually as envisaged for the period of the second Plan.

Area-wise, while in the beginning the share of the O.E.E.C. countries in India's trade was restricted, due to dislocations caused by the war, it went up as time passed. This increase was at the cost of the dollar area whose imports and exports dropped substantially. The sterling area's share also fell during the second period but in the third period regained the position as in the first. In the case of the rest of the non-sterling area, imports went on declining from period to period whereas, in exports, there was a rise of nearly 38 per cent from 11.7 per cent in the first period to 16.1 per cent in the third.

FLAGS OF CONVENIENCE ON THE RISE

SHIPPING IS by far the most international of all industries. Accordingly, any development of far-reaching importance to shipping in one country vitally affects all the other maritime countries also. Ships are very important to a country's national economy, not only in that they make a notable contribution to a country's balance of payments position by way of "invisible exports", but they also help world trade as a whole by carrying commodities that enter that trade across the seas.

A noteworthy development in the field of shipping since the past few years has been the phenomenal increase in the tonnage of merchant ships registered in countries with little or no claim to any importance as great trading nations such as Liberia and Panama. Thus, Liberia, which had no merchant fleet at all in 1939, has today 5,584,000 gross tons and ranks as the fourth country possessing the biggest merchant fleet in the world! Similarly, Panama, which had just 718,000 gross tons in 1939, possesses today a fleet of as much as 3,926,000 tons! It is interesting to see what this is due to. The main reasons that have attracted non-nationals to register their ships in countries like Liberia, Panama, Costa Rica and Bermuda, which are described as "flags of convenience" countries in shipping parlance, we are told, are low costs of operation, easy conditions and procedure of registration and, above all, the absence of or the prevalence, if at all, of only a low level of taxation. Whenever the level of taxation in the resident country, that is the country to which the owners of a ship belong, is heavy, there has been a tendency among shipowners, particularly of Britain, to register their ships in countries such as Liberia and Panama where taxation is more or less non-existent. This phenomenon, described variously as "flags of convenience" "runaway flags" or "no tax" flags has become particularly widespread since 1954.

Referring to this trend, Britain's Transport Minister disclosed last month, whilst replying to a debate on shipping in Parliament, that 113 ships had been transferred to the registry of these "flags of convenience" countries. Apart from attracting the attention of the shipping interests, not only of the U.K. but of other countries as well, this trend has been a cause of considerable concern to leading shipping countries of the world, inasmuch as it affects all maritime countries. The search for a solution of this rather difficult problem has, therefore, begun to exercise the minds of shipping interests. As asking these "flags of convenience" countries to levy afresh or increase existing taxes is out of the question, the only practicable alternative would appear to be to obtain the observance by these countries of international conventions on safety, etc. so as to bring some sort of regulation into the operation of the ships at least insofar as it concerns wages and conditions of the crew and such other measures. After all, these are neither against their interests nor is it difficult to enforce these conventions, which, for the sake of humanity at least, must be respected by all the countries of the world, not excluding Liberia, Panama, Costa Rica or Honduras.

PROSPERITY THROUGH TAXES!

IT HAS become almost endemic with every Union Minister for Commerce and Industry to pass remarks and make observations, off and on, calculated to unsettle the minds of the business community, if not altogether undermine the confidence of the investing public. While Mr. T. T. Krishnamachari, as the Union Minister for Commerce and Industry, had occasion to rattle the mercantile community by his oft-changing policy statements in regard to the textile industry, it has now become the duty of Mr. Morarji Desai, the present incumbent of that office, to keep the trading and commercial interests on the tenterhooks of suspense over the question of taxes.

Addressing the Surat Chamber of Commerce last month, Mr. Desai warned the business community that the new taxes introduced by the Government were "just the beginning". This observation, coming from a responsible Minister, on top of the much-quoted statement made by Mr. Krishnamachari not long back, that he would not hesitate to seek the Parliament's help 'for more taxes in season and out of season', is hardly conducive to better business. And yet, Mr. Desai believes that "the Government, which represents the people, is framing laws and regulations and imposing taxes for the benefit of the people". This is perhaps the first time that taxes have been directly linked to benefits of the people. Mr. Desai might as well have proceeded with his argument and taken credit for defining a perfect economic democracy by adding that, in the ultimate analysis, it is only a question of taxation of the people, for the people and by the people!

At a time when the business community is not sure where it stands, be it in relation to the relative roles of the public and the private sectors, or in reference to the volume of taxation that it has to bear, it is, to say the least, naive, on the part of the Union Minister for Commerce and Industry, to hope that "if people, particularly the mercantile community, earned more, they would pay more taxes". One cannot shut one's eyes to the basic economic and business tenet that the fear of heavy taxation is a certain disincentive to making more money. In the circumstances, it is certainly a hard nut to crack if one remarks — which Mr. Desai, in effect, does — that the way to prosperity lies through taxation!

RESERVE BANK OF INDIA

APPLICATIONS are invited for the following posts in the Reserve Bank of India:

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(B) AGE LIMITS AS ON 1ST JANUARY, 1957:

1. Probationary Assistants, Department of Research and Statistics/Legal Division.	Not less than 21 years and not ordinarily over 24 years.
2. Economic/Statistical Assistants. 3. Field Inspectors 4. Field Investigators	Between 18 and 24 years.

(a) **Undergraduates:** Between 18 and 22 years.

(b) **Graduates:** Between 18 and 24 years.

The maximum age limit is relaxable but not beyond 30 years, in the case of -

(1) Probationary Assistants in the Department of Research and Statistics possessing special qualifications and experience of value to the Bank;

(2) Probationary Assistant in the Legal Division;

(3) Candidates having extensive field experience;

(4) Candidates with approved war service;

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(6) Personnel retrenched from Government offices after at least one year's service, applying through Employment Exchanges; and

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Desirable : 1. A period of research work in
a) Agricultural Economics
b) Co-operation
c) Rural Sociology, or
d) Sampling Theory.
2. Experience gained in a responsible position in a Co-operative Institution/Department.
3. Experience of field investigation work

2. Probationary Assistant, Legal Division.
Essential : Applicants should be Advocates or Solicitors and must possess high academic qualifications in law and practical experience of work in an Advocate's or Solicitor's office or experience of independent practice, **for a minimum period of four years.**

3. Economic/Statistical Assistants.
Essential : A first or high second class M.A. or M.Com degree in Economics or Statistics of a recognised University.
Desirable : Practical experience of research in Economics or Statistics.

4. Field Inspectors.
Essential : At least a second class Bachelor's degree in Economics, Commerce, Agriculture, Mathematics or Statistics of a recognised University.
Desirable : 1. Practical experience of the working of Co-operative Credit Institutions or Agricultural Marketing and Processing Societies or Industrial Co-operatives.
2. Experience of field investigation work.
3. Special study of Agricultural Economics or Rural Sociology.

5. Field Investigators.
Essential : Marticulation or equivalent examination of a recognised University or Board in first or second class with at least 50% marks in English, Mathematics and Geography.
Desirable : 1. A Bachelor's degree of a recognised University.
2. Experience of field investigation work or of work in Co-operative Institutions.
3. Knowledge of two or more vernacular languages.
Note:- Field Investigators and Field Inspectors should be able to speak and write one or more of the following vernacular languages:
(1) Bengali, (2) Gujarathi (3) Hindi (4) Kannada (5) Punjabi (6) Tamil (7) Telugu.

The selected candidates for the posts of Probationary Assistants, Department of Research and Statistics/ Legal Division will ordinarily be on probation for a period of three years.

The selected candidates for the posts of Probationary Assistants in the Department of Research and Statistics should be prepared to work in Districts selected for Rural Surveys and should be able to conduct the field work, if required.

The selected candidates for the posts of Field Inspectors and Field Investigators will be appointed on a temporary basis for a period of one year in the first

instance but are likely to be made permanent and they will be stationed in Districts selected for Rural Surveys and will be required to carry on investigations in selected Villages in such Districts.

The selected candidates for the posts of Economic/Statistical Assistants will be required to appear for a written test.

Candidates who wish to apply for more than one category of posts must submit **separate** applications accompanied by **separate** application fees **and they should also mention prominently on their applications the other posts applied for by them.**

Applicants for the posts of Probationary Assistants must remit fee of Rs. 7-8 by Postal Order, Cheque or Bank Draft on a **Scheduled Bank payable at Bombay** along with the application. Applicants for the posts of Economic/Statistical Assistants and Field Inspectors must remit an application fee of Rs. 2 in a similar manner. The application fee is in no case refundable. Bonafide Refugee candidates who are **Not in Employment** applying through any of the Government Employment Exchanges are exempted from payment of application fees while in the case of candidates belonging to Scheduled Castes/Scheduled Tribes the fee will be reduced to ¼th.

Applications should be in the candidate's own handwriting. Applications for the posts of Probationary Assistants, Department of Research and Statistics/Legal Division, Economic/Statistical Assistants should be in the prescribed form obtainable from any office of the Reserve Bank. Applications for the posts of Field Inspectors and Field Investigators should be on plain paper and must contain the following information:

Name in full; educational qualifications — Examinations passed with subjects, distinctions, classes and marks obtained; Schools, Colleges and Universities attended; date of birth; age; address; place of birth and domicile; community; details of previous office/research experience, if any; period of approved war service, if any; **number of languages able to speak and write;** father's name; father's occupation; extra curricular activities; proficiency in games, etc.

All the applications should be accompained by copies of two testimonials (originals should not be sent; the Bank does **Not** accept responsibility for returning the originals if sent through oversight) and forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 18th February, 1957. **Candidates already in service must submit their applications through their employers.** Candidates belonging to Scheduled Castes or Scheduled Tribes should mention this fact prominently on their applications and also enclose a copy of certificate to that effect from a competent authority.

Appointments will be subject to candidates being found medically fit for service in the Bank. If any candidate desires to have his application acknowledged he should send it by "Registered Post Acknowledgment due". Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into any correspondence with them.

Canvassing in any form will be regarded a disqualification.

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COMMODITY NEWS AND NOTES

BRIGHT FUTURE AHEAD FOR U.S. WOOL

Among the commodities that enter international trade, wool occupies a very important place. The wool textile industry is therefore receiving increasing attention not only at the hands of the Government of India but also of Britain, the U.S.A. and other countries. In Britain, the Wool Textile Delegation has asked the Board of Trade for statutory powers "to amend the levy orders for export promotion and scientific research in the British wool textile industry." The progress of the wool industry in America has been such that the industry finds itself in a very strong position at the beginning of this year. Giving an appraisal of the industry's outlook, the Wool Bureau of New York states that the industry faces 1957 with "greater strength and confidence than at any time in the past five years." During the year 1956, the industry has done very well in America. This is evident from the fact that both the consumption of the mills and the output of woven woollen fabrics have increased by 7 per cent in the first ten months of 1956 as compared with the corresponding period of the previous year. In view of the considerable increase in the offtake of wool, as reflected in the steadily declining stockpile of wool with the Commodity Credit Corporation, the President of the U.S. Wool Bureau has predicted that "1957 will be a bright year for wool."

WORLD RICE OUTPUT TO GO UP

As a result of the cumulative effect of larger acreages under rice cultivation and more favourable climatic conditions, production of world rice in the 1956-57 season is expected to exceed the high level of output recorded in the previcus season. According to the Commonwealth Economic Committee's 'Rice Bulletin', just published in London, the first estimates of acreage under rice in India shows an increase of 4.8 per cent over the previous year, while "some increase" in production is expected in Pakistan, with Ceylon already reporting more rice production.

There have been fairly sizeable yields in most rice-producing countries. Thus, in Burma, production of rice is expected to reach a new post-war peak inasmuch as the harvested area is already at a fresh high level of 10,000,000 acres. A record rice output of the order of 950,000 tons is forecast under the second rice crop in Formosa, while in the Middle East, rice harvests have been put well above the average with prospects of equalling the peak figures of two years ago. China and the Philippines have also reported good yields of rice during the 1956-57 season.

US GOVERNMENT COTTON SALES

The US Government of Agriculture will soon decide whether to continue the cotton export programme in its current form—sale of Government stocks by the commodity credit corporation—or change to a programme similar to that of the wheat export scheme. Under the wheat scheme, private traders sell abroad from their own stocks and draw a subsidy from the Government to make up the difference between domestic prices and lower foreign prices. Farm organisations and Congressmen from the cotton area have argued against any change this year. The cotton exchanges, however, seem to prefer the subsidy scheme.

JORDAN TO EXPORT MORE PHOSPHATE

The Jordan Ministry of Economy has granted permission for the Jordan Phosphate Company to export a record 450,000 tons of phosphate this year to Europe and the Far East. It is expected that the quantity to be exported during 1958 will be even greater.

BRAZIL MANGANESE FOR US

With the recent opening up of new manganese ore deposits, Brazil will rank among the US's main suppliers of manganese and will reduce the latter's dependence on more distant sources, namely, India, South Africa and the Gold Coast. These deposits are in the Amapa territory in the Amazonian region and are being explored jointly by Brazilian interests and the Bethlehem Steel Company which holds a 49 per cent interest in the undertaking.

CHINA'S NEW TEXTILE MACHINES

China's textile machinery industry will produce 1 million spindles and 25,000 looms this year, of which a proportion will be earmarked for selective export. Largely on the advice of Soviet experts in Shanghai, the technical level of China's expanding textile machinery industry has been improved since last summer. It is admitted also that blueprints of new textile machinery designs in the UK and the US have been studied and adapted.

MORE AREA UNDER GROUNDNUT

The All-India Second Estimate of Groundnut, 1956-57, puts the current year's area and production at 11,299,000 acres and 3,559,000 tons (of nuts in shell) as against 10,968,000 acres and 3,372,000 tons for 1955-56, according to the Directorate of Economics and Statistics, Union Ministry of Agriculture. This shows an increase of 331,000 acres or 3.0 per cent in area and 187,000 tons or 5.5 per cent in production during the current year as compared to last year.

The increase in acreage during the current year has been reported mainly by Bombay, Mysore and Andhra Pradesh and to a smaller extent by Madhya Pradesh, Madras, Punjab and Uttar Pradesh and has been attributed generally to favourable climatic conditions at the sowing time. The increase in production has also been shared mainly by Bombay, Andhra Pradesh and Mysore and to lesser extent by Madras, Madhya Pradesh and Punjab. The increase in production has been attributed partly to increase in acreage and partly to timely rains during the growing period of the crop.

INCREASED PRODUCTION OF SUGAR

The production and despatches of sugar from indigenous factories amounted to 6.20 and 3.82 lakh tons up to January 15, 1957 in the current season as against 5.28 and 3.03 lakhs tons respectively in the corresponding period of the last year. The stocks with the factories on January 15, 1957 stood at 7.65 lakh tons as compared with 6.37 lakh tons last year.

ILLEGAL TRADING IN GRAM IN PUNJAB

The Forward Markets Commission has warned against the carrying on of trading in forward contracts of gram in several places in the Punjab. Such trading it says, is punishable in accordance with Section 20(1)(C) of the Forward Contracts (Regulation) Act. All forward contracts in gram are prohibited throughout India under Section 17 of the Forward Contracts (Regulation) Act, 1952. Similarly, forward contracts in cottonseed other than non-transferable specific delivery contracts are prohibited under Section 15 of the Act, except through associations recognised under the Act for the purpose.

TEA EXPORT DUTY REDUCED

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 3-15 per pound as against Rs. 4-3 per pound in force from January 1, 1957. The export duty at this price will be annas six per lb. The export duty during January, 1957 was eight annas 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 Matrls	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt and Semi-Govt.	Debentures	Preference	V. D I.
1947-48	306.4	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
May 1956 ..	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	85.3	125.2
August ,, c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502.4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.5	417.5	389.9	590.3	428.9	89.8	100.0	80.6	111.8
Week Ending										
1-12-1956 ..	422.6	514.2	420.4	386.4	590.5	431.5	89.9	100.1	81.0	121.4
8-12-1956 ..	419.1	510.8	418.6	386.1	591.7	429.4	89.8	100.1	80.9	118.7
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	80.9	117.0
22-12-1956 ..	416.7	522.3	416.3	388.6	590.6	430.7	89.7	100.0	80.5	115.2
29-12 1956 ..	392.0	520.2	415.8	387.1	589.3	421.9	89.7	100.0	80.2	114.5
5-1-1957 ..	382.4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80.3	113.4
12-1-1957 ..	389.0	522.0	413.0	386.1	594.0	421.0	89.7	100.0	80.5	112.6
19-1-1956 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7

* Average of weeks Revised*

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	135
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
1955 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	130	325	398	387	147	340	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	—	—	—	—	—	—	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	1-2 1957			25-1-1957			18-1-1957			11-1-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	108- 6	107- 1	107-13	108 15	107- 1	107-15	107-12	105 11	106-15	105-14	104- 2	104-12
Silver (per 100 fine tolas)	185-11	183- 8	184-15	185- 5	181-13	183-13	182- 2	179- 7	181- 2	180- 6	175- 4	177-8

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS					
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	30,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1 443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
21-12-1956 ..	1,465,50	9,36	1,474,86	117,76	447,30	565,06	37.0	124,45	785,35	1,474,86
28-12-1956 ..	1,466,07	9,14	1,475,21	117,76	447,30	565,06	38.3	124,80	785,35	1,475,21
4-1-1957 ..	1,481,52	7,55	1,489,08	117,76	447,30	565,06	37.9	123,76	800,25	1,489,08
11-1-1957 ..	1,495,21	13,16	1,508,38	117,76	447,30	565,06	37.6	123,06	820,25	1,508,38
18-1-1957 ..	1,490,09	17,66	1,508,55	117,76	442,33	560,09	37.1	123,23	825,22	1,508,55
25-1-1957 ..	1,485,52	23,56	1,509,08	117,76	427,43	545,19	36.9	123,77	840,13	1,509,08

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	81,56	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	2,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,39
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	45,05	11,97
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	13,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,96	19,99
Week Enbing														
21-12-1956 ..	55,56	9,45	52,33	13,35	130,78	145,79	276,47	9,54	3,73	86,57	7,41	93,81	61,36	14,06
28-12-1956 ..	57,24	8,00	58,09	13,87	137,20	147,45	284,66	9,33	3,30	82,61	7,27	106,04	61,82	14,30
4-1-1957 ..	54,34	13,93	58,34	13,42	130,02	146,42	276,45	7,76	2,99	81,07	7,75	99,96	62,53	14,39
11-1-1957 ..	54,00	4,94	56,25	13,11	128,30	146,44	274,76	13,36	1,97	80,30	8,00	106,60	44,48	14,44
18-1-1957 ..	50,71	7,03	52,98	13,29	124,01	151,39	275,40	17,86	91	81,24	8,42	102,61	49,70	14,70
25-1-1957 ..	51,46	13,33	51,76	12,68	129,23	152,64	281,87	23,78	1,11	83,18	7,48	102,19	49,62	14,62

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
April 1956 ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150,94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June ,, ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
28-12-1956 ..	654,19	459,50	1,101,75	38,33	52,66	8.26	622,91	165,55†	71.56	364,75
4-1-1957 ..	646,80	457,79	1,095,32	37,52	48,26	7.83	635,90	165,80†	73.19	364,46
11-1-1957 ..	653,16	456,84	1,103,36	36,21	50,72	7.79	645,46	162,97†	73.27	362,42
18-1-1957 ..	666,36	458,91	1,116,75	36,48	48,32	7.59	649,67	166,20†	73.06	382,12
25-1-1957 ..	670,83	462,30	1,123,77	33,06	50,05	7.40	657,07	168,96†	73.51	361,64

* 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	1,505,09*	679,23	667,22	12,01	+263,69
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	−36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	−41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	−12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10,54	−26,79*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

* Provisional.
† Excluding balances held on I.M.F. Account No. I.

Source: Monthly Bulletin of Reserve Bank.

COLOMBO PLAN

Development Expenditure in the Public Sector

(£ million at a constant rate of exchange)

	1953-54 or 1953 Actual	1954-55 or 1954 Actual	1955-56 or 1955 Revised Estimates	1956-57 or 1956 Estimates
Burma	54.4	38.0	32.4	40.0
Ceylon	18.3	26.5	36.8	36.9
Federation of Malaya	17.4	16.7	15.6	28.0
India	287.2	365.6	502.9	622.7
Indonesia	68.0	76.0	40.0	102.7
Nepal	0.7	0.8	2.1	2.3
Pakistan*	39.9	61.3	83.7	129.1
Philippines*	—	47.5	36.1	55.6
North Borneo	1.5	2.2	2.1	2.8
Sarawak	1.6	2.4	1.5	4.1
Singapore	11.4	15.6	13.4	14.3
Thailand	23.1	33.0	24.8	31.8
TOTAL	520.5	685.9	791.4	1070.3

* Rate of exchange calculated at rates of exchange in force in November 1956.

Trade Balance of Countries of the Colombo Plan Region: First half of 1956 Compared with First Half of 1955

[In million of £ (Stg.) equivalent]

	Exports	Imports	Surplus (+) or Deficit (−)	Exports	Imports	Surplus (+) or Deficit (−)	Between Half of 1955 and first half of 1956
Burma	48	34	+14	46*	34	+12	— 2
India	221	244	—23	218	296	—78	—55
Pakistan	72	53	+19	73	48	+ 25	+ 6
Ceylon	71	54	+17	63	57	+ 6	—11
Indonesia	146	96	+50	146	157	—11	—61
Philippines	76	114	—38	80	97	—17	+ 21
Thailand	60	53†	+ 7	58	66†	— 8	—15
Malaya	218	213	+ 5	243	243	—	— 5

* Based on data for one quarter only.
† Based on annual data. 1956 imports are estimated.

PAKISTAN

National Income

(Thousand million rupees)

Year	At current price	At Constant prices*	Percapita at constant prices
1949-50	16.8	17.2	231
1950-51	17.2	18.3	241
1951-52	18.5	18.1	236
1952-53	18.3	18.3	236
1953-54	18.2	19.2	244
1954-55	16.8	19.5	245
1955-56	17.6	19.8	245

* Average.

Investment in Public and Private Sector

(Rs. millions)

Year	Public	Private
1951-52	411	421
1952-53	754	355
1953-54	596	299
1954-55	815†	635
1955-56	1,114‡	540

† Revised Estimates.
‡ Budget Estimates.

Source: Colombo Plan.

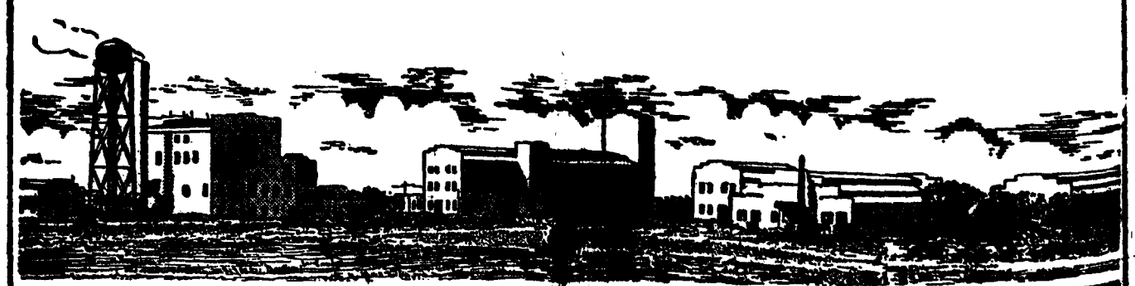
(To be continued)

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A Liberal Deal for Railwaymen

LAST Sunday the Railway Minister made a surprise announcement of a fresh deal for railway employees in certain non-gazetted categories. The element of surprise was by no means confined to the timing of the announcement. The liberal scale on which redistribution of posts in different grades and salaries has been made was not altogether expected by representatives of railwaymen's trade unions who were summoned to the conferernce at short notice. A few at least among them made no secret of their immediate reaction. It is true that the revision of grades, promotion opportunities and salary scales was promised to the cadres of non-gazetted officials who have now benefited by it. A categorical assurance to this effect was given by Mr. Lal Bahadur Shastri in his budget speech in February last year. But the manner in which the settlement was finally brought about cannot conceal the unmistakable impress of haste.

It is claimed on behalf of the Railway Ministry that an elabo... investigation was conducted into the quest... grades and salaries of the cadres ...ern... e course of the year. This claim is hard... ot in toto in the face of a vital but eler... fact. No estimate whatsoever has been ... d by the Ministry in regard to the incidenc... revision on the salary bill of the railway... gure of anything between Rs. 1 and 5 cr... freely mentioned which the Ministry is ... either to corroborate nor to rebut. The ...sed scheme has been given retrospective effect from the beginning of the current financial year. It is obvious, therefore, that the increased cost in the salary bill will have to be incorporated in the revised estimate of expenditure for this year in the caretaker budget which the Railway Minister will present to Parliament in about a month's time. The omission of any mention of the approximate cost of the revised

scales in Mr. Jagjivan Ram's speech making the announcement is certainly a matter of no small surprise.

The *raison d'etre* of the redistribution of grades was to enlarge the scope for promotion and higher emoluments to which access was not open in an adequate measure. This objective could be achieved only by increasing the number of posts in the higher grades and reducing them at the levels below. Sixteen categories of employees have been brought within the coverage of redistribution of posts, but the technique employed was virtually the same with minor variations. Two cases illustrate how the change has been introduced. The number of posts for higher grades of station masters has been increased threefold to 9,000, while the lowest scale of pay for this category, applicable mostly to roadside station masters, has been raised to Rs. 100-185. Upward variations have been made for the starting grade of assistant station masters. Clerical cadres in the senior categories have been awarded an omnibus scale of Rs. 80-220 for promotion above a specified recruitment grade. The Central Pay Commission's express suggestion for prescribing this scale on the minimum test of holding a university degree has been modified for the purpose of general application. A simple departmental examination has been substituted as a test for eligibility. In the rest of the categories liberalisation has been secured by sanction of larger number of posts in higher grades, while in a few the allowances have been raised substantially.

An important issue which the latest deal for railwaymen raises is one of principle. It relates to a proper promotion policy. While it is essential that the morale of employees must be maintained at the requisite level, the causes of discontent must be carefully scrutinised on their own merit. In any event, considerations of efficiency cannot be relegated to a subordinate place. A sound policy for promotion must achieve the twin objectives of morale and efficiency. So long as reasonable opportunities are thrown open for promotion and selection to positions of responsibility proceeds on the criterion of ability, there is hardly any reason to find fault with the overall policy. The main argument which has necessitated the scheme of redistribution of posts and regradation of salaries, it is said, is the fact of higher work-load and responsibility having been placed on the employees in the sixteen categories. Increased burdens may have been placed on certain cases of individual posts or categories of employees. But the error would appear to lie in the categorical assertion of the validity of this argument as a proposition of universal application. It should not be overlooked that employment in Indian railways is expanding now at an annual rate in the neighbourhood of 20,000. Another important factor which merits due weight is the absence of any machinery for job analysis which has not been taken up for consideration in real earnest by reason of the opposition of labour on the ground of apprehended retrenchment. But by official and non-official testimony tendered before the Estimates Committee, standards of efficiency on the railways have not been maintained at the necessary pitch.

The liberal deal which has been meted out covers 170,000 employees who form a little less than half of Class III categories of employees. Non-gazetted cadres comprise 36 per cent in Class III and 63.75 per cent in Class IV of the total staff of the railways. The criteria on the basis of which the promotion grades and salary scales have been revised in the case of the 18 per cent of the staff are not clear. In some individual schemes of revision departures have been made in the scales or rules of convention laid down by the Central Pay Commission. It is possible that these departures had some justification. This reasoning overlooks the fact that similar justification may be pleaded by employees in the categories not covered by the revision. The present beneficiaries happen to be white collar employees. Actually, no time has been lost by trade union spokesmen to espouse the "cause" of Class IV employees. Resulting anomalies like the loss of parity in the pay of skilled workers and clerical staff at some levels, which was secured in terms of the Pay Commission's suggestions, are being magnified.

It would be naive to believe that the course adopted in the present deal will not contribute to a chain reaction. This reaction, it need not be supposed, will be confined only to the public sector, although it had to face some heavy trouble recently as in Assam over the postal strike which has been called off on a definite understanding. It is paradoxical that while the Finance Minister needs unqualified support of the entire country in curbing the forces of inflation, his colleague in the Labour Ministry should have chosen to lend his full weight to the demand for a general wage increase. The Railway Ministry needs to make a reappraisal of its policy on labour in the light of the supreme task of creating sound defences against inflation. The whole trend of its attitude to trade unions reveals that the apparent cordiality of relations has been purchased by successive arrangements of accommodation to the demands of railwaymen.

Priorities in Community Development

PERSPECTIVE planning is the order of the day. This is particularly true of agriculture which, in India, would be called upon to perform a near-miracle over the next 20 years. If Indian agriculture *must* feed 500 million people by 1976 and meet the heavy raw material requirements of an industrial sector which will more than treble its output by that year, it must expand to nearly twice its present level. Almost the whole of this expansion can come about only by an increase in per-acre productivity. This productivity increase, in its turn, would have to result from extension of irrigation, intensive application of chemical fertilisers and organic manures, propagation of improved seeds and adoption of improved cultural practices. These directions in which alone progress will largely follow have been appropriately recognised by the Community Projects Administration. But the activities of the Community Projects Administration and National Extension Blocks in these directions have yet to gather momentum. As productivity increase should be the dominant objective of the network of development and extension blocks (which are to cover the entire country by the end of the second Plan), the critical but constructive comments made in the latest four-part report of the Estimates Committee are as timely as they are valuable.

The Estimates Committee estimates that crop-yields can be raised by anything from 10 to 20 per cent by the use of improved varieties of seeds alone at little or no additional cost. This estimate is probably based on the performance of improved seeds evolved in research stations to-date. As plant breeding research can be expected to reach a still higher level of competence in the next 10 years, newer seed varieties can also be reasonably expected to account for a fourth of the production increase even by the end of the fourth Five-Year Plan. The only question here is whether seed multiplication farms and seed storage facilities can be increased to cater to the needs of *all* landholdings and of *all* crops in the next 15 years. It is intended to have a 25-acre seed farm in each of the ultimate 5,000 National Extension Blocks which will be functioning all over the country by the end of the second Plan. The seed farm will only provide for the initial multiplication of the nucleus improved seeds and even here it is doubtful if 25 acres would be sufficient although it is understandable that resources availability sets the limit in this regard. While this is a big problem by itself, the even bigger problem of storage distribution and further multiplication of seed by the farmer will remain to be tackled. There is also the problem of making each village a unit of seed multiplication in accordance with the Estimates Committee's recommendation. Yet another problem is to construct godowns for stocking of seeds at the rate of one godown for 30 villages, in addition to a warehouse and marketing organisation for each taluk. These problems should receive priority attention on an equal footing with minor irrigation.

The Estimates Committee, in drawing attention to the objective of Community Development to cover at least half of the agricultural land with irrigation facilities, notes that just 2 million acres have benefited by new irrigation (from tanks, surface wells, tube-wells, etc.) in all the community development and N.E.S. blocks as at the end of March last year. It is admitted that this progress has been very unsatisfactory. As minor irrigation facilities have involved an expenditure of just under Rs. 40 only per average acre (as against Rs. 500 per average acre in the case of major irrigation projects), the slow progress in this sphere demands a satisfactory explanation. If even in Community project and national extension areas only 2 million acres have been brought under minor irrigation, there is no reason to believe that in the rest of the country 8 million acres have been covered by such irrigation by the end of the first Plan. The statement of the representative of the Community Development Ministry that 10 million acres were brought under irrigation through minor irrigation works might have to be taken as referring to the first Plan's target and not to the actual performance. This rate of progress would have to be greatly accelerated so that additional irrigation could actually cover at least 10 million acres (at a cost of about Rs. 40 crores in all) by the end of the second Plan. As irrigation alone can nearly double the per-acre yield, the same priority attention should be given to it as in the case of improved seeds. If the first Plan deficit under this head is not made good in the second Plan period, it may be very difficult to increase the target to more than 5 million acres in each successive five-year period.

The Estimates Committee thinks that proper manuring (with compost and green manures) can increase the acre-yield by anything from 25 to 30 per cent. This is an over-estimate for the reason that as far as the *entire* cultivated area in the country is concerned, the maximum mobilisable resources in organic manures may be adequate for only half the cultivated area if an acre of land is to receive its full quota. If, on the other hand, an average acre can have only half of its maximum requirement, anything more than a 12½ to 15 per cent increase, on this account, in total agricultural output over the next 20 years cannot be safely estimated. To discourage the burning of cattle dung and to make alternative arrangements for fuel may well take a long time. Chemical fertilisers, therefore, may have to come into the picture to a greater extent than now, although a note of warning is required against the indiscriminate use of fertilisers which may result in the exhaustion of soil fertility after the first few years. If, as the Committee recommends, the research on fertilisers is intensified for the purpose of ascertaining different varieties of fertilisers for different types of soil, both organic and inorganic manners may well account for a fourth of the required increase in agricultural output.

Another direction in which priority effort has to be put forth concerns the use of chemical pesticides and the adoption of improved cultural practices. As the loss of grains due to plant diseases and insect pests in the fields and storage is estimated at 20 per cent, the organisation of a plant protection service is called for. In this case, as in that of better cultural practices, demonstration and example alone may do the trick, but these are slow, long-term processes which can be expected to account for a fourth of the required increase in agricultural output only by about the seventies. The development schemes concerned with this and other priorities described earlier would involve such immense problems of organisation and administrative co-ordination, of mobilisation of financial and physical resources, of training of tens of thousands of personnel for construction, persuasion, demonstration and co-operation (in a few limited fields), of many-sided agricultural research, and so on, that the Community Projects Administration would be well advised not to fritter away its energies and resources on any grandiose project of joint farming which cannot be successfully organised on a large scale without undermining democracy itself in the process. It is a fallacy to argue that a large-sized farm would give a higher acre-yield than a small-sized farm. This is simply not true. Where intensive cultivation is the recognised objective of community development and national extension, the smallness of a farm can be no inhibiting factor. For, even in the case of dry farming, per-acre productivity under extensive cultivation of a large farm is known to be lower than under intensive cultivation of a small farm. This is even more true of wet farming where a farm has necessarily to be comparatively small in size if a high per-acre yield is to be obtained. The only problem here is that of scattered plots of a farmer's holding, and the only sensible thing to be done is to consolidate his holding in such a way that it could constitute a reasonably compact farm, small though it be. This can be attempted through possible co-operative consolidation societies.

The Birth of Ghana

ON March 6 will emerge the tenth dominion in the British Commonwealth — Ghana. It will have a Government run by Africans themselves and not merely by White Settlers, as in the Union of South Africa. The day chosen for the final transfer of power is the anniversary of the day in 1844 on which a bond was signed between the British authorities and certain Chiefs transferring jurisdiction to the former. Ghana will consist of the British colonies of Gold Coast and Ashanti, the Trust Territory of Trans-Volta Togoland and the Protectorate of Northern Territories covering about 91,834 square miles with a population of 4.5 million.

The new dominion will have a cabinet and parliamentary system of Government modelled on the prototype in the United Kingdom and other independent Commonwealth countries. Every citizen of Ghana, without distinction of religion, race or sex, if he has attained majority, will be entitled to vote. It is proposed to set up regional assemblies and Houses of Chiefs in each of the four constituent units. These will have effective powers in specified fields. A commission will be appointed to determine the precise nature of those powers and the composition of these assemblies. Any amendment to the Constitution would require a vote of two-thirds of the total membership of the National Assembly; most important amendments would in addition require the concurrence by a simple majority of two-thirds of the regional assemblies. A special provision has also been made to ensure concurrence of the region concerned in matters involving boundaries or the powers of the regional assembly. The Constitution also guarantees "traditional dignities" to the 10,000 chiefs, though no undue powers or undue emoluments have been granted to them.

Ghana's initial education in self-government began when the first Legislative Council was set up for the colony of Gold Coast in 1850, six years after it was conquered. Since then, gradual control of their own affairs has been delegated to the people with widening representation. From 1946, when for the first time the Legislative Council had an African majority constitutional advance was rapid. In 1949, a wholly African committee under the chairmanship of an African Judge Mr. (now) Sir Henley Coussey was entrusted with the task of working out a new constitution. Its recommendations have formed the basis not only for the constitution under which the elections were held in 1951 but for subsequent constitutional developments. The 1951 legislature also included representatives of the Northern Territories and of Trans-Volta Togoland for the first time. The Constitution which was introduced in 1954 will be replaced by a new one conferring dominion status on Ghana.

Potentially, the new dominion is among the wealthiest countries in the world. It is rich in gold, diamonds and mineral ores; it has luxuriant forests, abundant ivory and plentiful cocoa. Cocoa exports alone net in about £84,000,000 per year. Already it has a favourable balance of trade of nearly £15,000,000 a year. But as yet only the outer, superficial layer of its resources has been tapped. The blue-print of the £150,000,000 Volta scheme envisages the building of a dam and hydro-electric station on the lower reaches of the river Volta. Associated with the scheme is the construction of a new harbour and a railway system.

All this should not, however, obscure the difficulties which the leaders of Ghana will face. On the political front, there are fissiparous tendencies among traditional tribal forces who distrust the new leaders, the new political institutions and the new way of life. As late as November 20, 1956, the two main Opposition parties, the National Movement and the Northern People's Party demanded "separate independence for Ashanti and the Northern Territories". There is also a strong Ewe demand for separation. They even threatened violence and bloodshed to achieve their objective. This will be a supreme initial trial for the new state and particularly for the Opposition. They ought to realise that African statesmanship is now on test, and that they do nothing to retard progress. They must show that it is possible for Africans to establish and run a unified sovereign State.

Apart from political difficulties, the new dominion will have to face economic and administrative hazards. Ghana's independence will coincide with the lowest price for cocoa for many years, low sterling reserves and a somewhat dim outlook for business. A difficulty of even greater import will be that Ghana's elevation to self-governing status will result in the forefeiture of the financial assistance which it has been receiving from the Colonial Development Corporation. And it is not a member of the Colombo Plan. Moreover, in view of the recent anti-Western feelings reminiscent of those witnessed recently in Iran, Egypt and some other Middle Eastern countries, the new State will need to adopt a prudent and realistic policy to attract foreign capital so indispensable for the development of all under-developed regions. Lack of indigenous capital, need for capital equipment and technical know-how and scarcity of skilled labour cannot be over-emphasised. One can only hope that the British Government would support its wise political act with some system devised to replace the aid given by the Colonial Development Corporation and thus ensure the immediate uninterrupted economic development in Ghana. The new dominion can also raise its resources of foreign exchange by diversification of agricultural and exploration of mineral wealth. There will also be problems of administrative apparatus with the departure of some of the experienced British civil servants after independence. Here again there will be need to move slowly and retain British co-operation.

As opposed to the policy of "liquidation" of their own imperialism by the British, France is desparately clinging to outmoded imperial policies of blood and terror in Algeria. It is seeking a solution by war and is, thus, losing the opportunity to go and leave behind a friend as it has done in Morocco and Tunisia. In the present wave of resurgent nationalism in Africa, it is inevitable that Algeria should be free. Delay in recognizing the sovereign status of this African colony may well cause the incursion of Communism into the region. The danger is real in view of the present Soviet policy of support to Arab nationalism for ulterior motives. The only wise way is Britain's; its graceful departure from the Indian sub-continent in 1947, and now from Ghana, could be emulated profitably—for France itself as well as for the free world.

The Call To Save

As citizens of India, you are called upon "to work wholeheartedly for the full and timely realisation of the tasks, targets and aims of the Second Five Year Plan."

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THE WEEK'S NOTES

ELECTION PROSPECTS IN WEST BENGAL

IN THE coming elections the ruling Congress Party faces from the Communist Party the biggest challenge in West Bengal. The C.P.I. has put up there 104 candidates for the 252-member State Assembly, while it is supporting candidates for the 252-members State Assembly, while it is supporting candidates of the United Left Election Committee in almost all other seats. Both sides are equally confident of defeating each other. What makes political observers anxious is the fact that this time the Communists have been able to form a united front with four major Leftist parties, namely, the Praja-Socialist Party, the Revolutionary Socialist Party, the Forward Bloc and the Marxist Forward Bloc on the basis of an agreed common programme. This United front would be able to avoid the spliting of Opposition vote. In the last general elections it was a division of the Opposition vote that considerably helped the Congress Party, which, with only 39 per cent of the polled votes, was able to bag a little over 150 seats in a House of 238. Ever since, the Leftist parties have been striving for unity.

During the last general elections many of the Communist leaders were in jail. Conditions are different now. They have had opportunity to conduct struggles — some of them successfully — against what they describe as the "anti-people policies of the Government". This has given them a status in public life which cannot be glossed over. Moreover, the C.P.I. hopes to "expose the Congress brand of Socialism, by referring to its builders who, significantly enough, include a large number of rajas, maharajas, and millionaires," as Mr. Ajoy Ghosh, General Secretary of the Party alleged. High prices of necessaries, growing unemployment, congested schools and colleges are a few of the major problems which rob an average Bengali family of its love for the Congress Party.

But most of these assets are balanced in favour of the Congress Party by the fact that the C.P.I. is fighting this election with a programme which is not distinguishable from its own. It will be difficult for the electorate to choose between their respective 'socialisms'. The only exception is the promise of the Communist-dominated United Left Election Committee to readjust West Bengal's boundaries on the basis of language and contiguity. Organizationally, too, the C.P.I., this time, has not entered the electoral arena as a united team. Divergent views on de-Stalinization and Russia's intervention in Hungary have led to confusion in the minds of the Party's rank and file, which saps much of their energy and undermines its "striking power". The disclosures about Stalin's atrocities at the 20th Party Congress of the Communist Party of the Soviet Union by Mr. Khrushchev has shorn Communism and its devotees of their assumed moral superiority. Russia's refraining from vetoing the Western resolution on Kashmir in the Security Council even after Marshal Bulganin and Mr. Khrushchev had publicly declared that Kashmir was an integral part of India, has brought Communism in disrepute in this country and made Indian Communism unpopular. In contrast, the Congress Party has been fortunate in having Kashmir as an election issue. The slogan "vote Congress to save Kashmir" or "a vote against the Congress is a vote against Mr. Nehru's policy on Kashmir" cannot fail to receive popular support.

The success of the Congress Government's two Five-Year Plans, especially in the matter of food, has robbed Communism of much of its ammunition. The praise showered on India's achievements since independence by the Russian leaders, Marshal Bulganin and Mr. Khrushchev, by Marshal Tito and, last but not least, by Mr. Chou En-lai has also taken the edge out of Communist propaganda. This time the Communist will not be able to criticise the Congress Government's foreign policy; the Indian people have seen that the Kremlin itself wooes Mr. Nehru. The Congress Party has also a solid Muslim vote — about 12 per cent of the West Bengal electorate. Thus, though there is a fair chance of the Congress Party's ultimate success in the West Bengal elections, there is certainly no room for complacency.

INSIDE PAKISTAN

THE PROCEEDINGS of the Awami League Council at Kagmari in East Pakistan provide a challenge as well as an opportunity for the coalition government of Pakistan to modify its present political and economic policies. Whether the resolution on foreign policy, and particularly concerning military pacts, was a new one or the reaffirmation of an old makes little difference to the basic controversy raging over the pursuit of such policies. The hard core of the Awami League has made it abundantly clear that a programme of national reconstruction, with emphasis on developing the eastern wing, needs to be given priority over all others. Reports on the Council's proceedings suggest that East Bengal is not entirely happy with the swiftly deteriorating relations between Pakistan and India. This is understandable inasmuch as, in the prevailing unfavourable climate, some of East Pakistan's pressing problems like flood control can hardly be solved without a proper co-ordination with India. But it is more than unlikely that Karachi or Mr. Suhrawardy will pay much heed to Kagmari. The biggest single factor that determines the current policies of Pakistan is her antagonism towards India. After having whipped up tension in West Pakistan to its present high pitch, her rulers may not be expected to adopt a policy of reversal in the foreseeable future. Since it is so, the split in the two wings of Pakistan and more so in the Awami League will go on extending which should render the coalition government weak. Again, if the Awami League members in the coalition fail to match their practice with the principles laid down by the party, they will only help in its disintegration and the resultant confusion.

That Pakistan continues to lay heavy emphasis on military aspects is indicated by her latest budget with a defence outlay of Rs. 100 crores, of which Rs. 81 crores is on revenue account. In percentage terms, the outlay represents 60 per cent of Pakistan's revenue receipts which include gross earnings of railways, or 5 per cent of her national income estimated around Rs. 2,000 crores. A direct comparison with India's percentage expenditure on defence is not possible since here the railways are covered by a separate budget. If, in the case of Pakistan, railway receipts are taken out, the percentage of defence outlay will go up still higher. The high defence allocation has been made possible by increasing the tax burden on the common man in Pakistan; excise duties on some of the essential consumer goods like tea have had to be doubled. The inescapable result that will follow will be that economic distress will be aggravated. East Pakistan will be in a particularly disadvantageous position as it usually bears a larger proportion of the tax burden whereas it is the beneficiary of a smaller proportion of central expenditure. The people there are passing through an acute shortage of food grains. An idea of the high cost of living in East Pakistan can be formed from the official figures; while the general cost of living index for industrial workers in June 1956 was 314 in Narayanganj (an industrial suburb of Dacca), it was 108 in Karachi and, relatively,

as low as 91 in Sialkot. It is, therefore, not surprising that East Pakistan's exasperation should have reached a point at which faint whispers of demand for a separate economic set-up including a separate plan and an industrial development council are already audible to the keener observer.

CEYLON'S FOREIGN POLICY

THE NINTH anniversary of Ceylon's independence celebrated in the island last week was invested with a special significance by the participation of the Chinese Premier. Ever since the Bandung Conference where China made her debut, her influence among the Asian countries has been steadily growing and as a champion of anti-colonialism, she has been sedulously working on a planned policy of eliminating Western influence in Asia. It is natural that Ceylon after attaining her freedom should try to get rid of all vestiges of colonialism. Mr. Bandaranaike in fact put in the forefront of his programme the elimination of British bases in Ceylon. He largely succeeded in this during his talks in London last December when Britain agreed to hand over her bases to the Ceylon Government this year although details regarding the facilities required by Britain at these bases after their transfer have still to be worked out. The pursuit of neutrality by a small country tending towards socialism, however, requires enormous vigilance. Mr. Chou En-lai remarked that in the past few years, Ceylon and China had begun "mutually beneficial relations" in the spheres of economy and culture. But at the same time he felt that the possibilities of having further co-operation on a broader scale had yet not been fully exploited. Mr. Bandaranaike as Premier of one of the Colombo Powers may like to play an increasingly important role in resurgent Asia along with China. But in view of the nature of the country's economy and the many ticklish and unsolved problems before her, Mr. Bandaranaike may, sooner or later, find that he cannot go too far in that direction. Anti-colonialism need not mean adopting an anti-West attitude which would only result in throwing the baby along with the bath water in the present stage of Ceylon's development.

The country depends on her plantations which are foreign-owned and nationalisation will be no easy affair if it is to be on the basis of any fair compensation. While her population is increasing at a rate of 2.8 per cent a year, unemployment is estimated at 500,000 as of last year according to a Central Bank survey. The task ahead of the country remains one of maintaining the vigour of its export industries (tea, rubber and coconut), increasing its own food production and diversifying its economy. Recently the Government set up a National Planning Council to include in its scope problems facing the entire economy. But the main fact remains that the country is very much dependent on external assistance which has played a significant part in her development programme. The total amount of capital aid authorised under the Colombo Plan so far amounts to Rs. 95 million and here the share of the United States, Canada, Australia and New Zealand is considerable. Besides, the country also needs foreign technical assistance and also participation of private foreign capital in many of her development projects. All these may naturally weigh in any realistic shaping of her foreign policy.

SOVIET PLAN FOR 1957

HEAVY INDUSTRY — the base for arms production — will continue to receive priority over consumer goods in the Soviet Economic Plan for 1957. The planned increase in output of heavy industry is 7.8 per cent over that of 1956, as compared with 5.9 per cent for consumer goods. Under the 1957 plan, gross industrial production goals have become much less ambitious than they were last year. In fact, the increase scheduled is the lowest since the Five-Year Plans began in 1928 (excluding the war years, of course). Among the points which the annual plan stresses is the proposed drive to speed up automation in Soviet industry by 30 per cent in the current year. The Russian target for coal, admitted to be a weak feature of the economy, is to be 446 million tons as against the 1956 figure of 429 million tons. Oil output is to go up to 97 million tons, compared with 83.8 million tons in 1956; iron to 38.1 million tons, compared with 1956's 35.8 million tons; and electric power will rise to 211 milliard kilowatts compared with 192 milliard kilowatts in the last year. The importance given to heavy industry is of special interest to this country which has been offered Soviet machinery and a capital goods for its industrialization projects.

On the agricultural front, the volume of agricultural procurement will increase in 1957 as compared with 1956. While promising a better life for the workers, the Chairman of the State Economic Commission indicated that 28 per cent more new housing would be built in 1957 than in 1956. The annual plan expects the national income to go up by eight per cent while last year it was estimated to have gone up by 12 per cent.

The new USSR budget envisages for this calendar year a total expenditure of 603,820 million roubles. Of this total, 16 per cent would go to the armed forces. (as compared with the 18 per cent of last year's total expenditure of 569,400 million roubles). The reduction in military expenditure comes to just 5.6 per cent only. As the reduction in armed forces has not resulted in the anticipated 15 per cent cut in the military budget, the inference should be that the standing army has been streamlined and rendered more powerful with its improved and costlier equipment.

CHESTER BOWLES ON THE MIDDLE EAST

MR. CHESTER BOWLES, a former American Ambassador in India, during his recent visit to New Delhi, spoke on the Middle Eastern crisis to the Rotarians. His diagnosis of the disease which has vitiated the body politic of the region was as accurate as his remedy was original. But the remedy he has suggested is hardly practicable. According to Mr Bowles, the export of Soviet armaments to Egypt and Syria, the "seizure" of the Suez Canal by Egypt, the terrorist raids on Israel by Fedayen, and the Anglo-French adventure, had created the present crisis. For restoring peace and security in the area, Mr Bowles suggested that the Colombo Powers, in whose impartiality Israel and the Arab nations had faith, should help resolve the crisis. These Powers, he said, could achieve this by impressing upon the Arab States that Israel had come to stay, and by persuading Egypt to accept the principle of free use of the Suez Canal by ships of all nations.

In view of repeated and loud professions about Arab-Asian solidarity at the Bandung Conference and in the United Nations, Mr. Bowles's suggestion seems to be a challenge to the Colombo Powers. But it is doubtful whether this will usher in peace, even if the Arab-Asian nations are able to resolve the present crisis. So long as sub-human conditions of existence persist in the area, Communism will remain an attractive alternative. But betterment of living conditions would call for gigantic aid from outside. This the Colombo Powers are not in a position to give. The Colombo Powers also cannot provide a "protective military shield" to the Arab States, which the latter urgently need to counter possible internal subersion. Such economic aid and military protection can only be granted by Mr Bowles's own country. This aid and protection will be acceptable to the Arab States only if these are not accompanied by interference in their domestic and foreign policies.

A Window on the World

A FOREIGN POLICY FOR BRITAIN

By

ODYSSEUS

LONODN. (By Air Mail).

WHAT foreign policy is henceforth possible for the UK?

Should the UK say in effect: "Since we can no longer compete in the maintenance of the full panoply of costly nuclear weapons with the USA and the USSR, we will renounce the use of force as an instrument of policy. We will switch to industrial use all the capital and labour now tied up in war production. We will then become totally dependent on the goodwill of the USA for survival, but what of that? We shall grow fat and prosperous".

Were the UK to adopt such a policy, it would eliminate its power to influence the course of international affairs and relations.

I concede at once that in relation to the American and Soviet giants, the UK's influence has been substantially reduced, but most people who make this observation seem to think that this is the same as saying that the UK has no influence at all.

As a matter of cold fact, the Anglo-French Suez adventure has had the unintended result of teaching the USA — and several other countries — a sharp lesson, namely, that it is dangerous to show persistent indifference to the interests of those whose friendship you wish to retain.

Incidentally, as far back as March 30, 1956, in an article entitled "The Approaching World Crisis", I forecast the likelihood of war in the Middle East and the infiltration of Soviet power across our East/West line of communications. And again after Colonel Nasser had seized the canal, and 10 weeks before the Anglo-French adventure, I elaborated reasons here on August 17, 1956, for concluding: "So that the possibility of a war brought on by European desperation must be regarded as one of the factors in the situation." I had no inside information. I merely applied reasoning the logic to the observable facts.

In writing this, I am not condoning the nature of the Anglo-French Suez intervention: I am explaining how it came about, and why, deplorable in manner though it was, it has led the US State Department, and a number of other foreign ministries, to take warning that baffled and ignored friends fall back on reckless courses. There is today (or at any rate there should be) a more realistic appreciation in the foreign ministries of the free countries of Asia that the fact that Britain and France went the wrong way about tackling Colonel Nasser does not mean that persistence by Colonel Nasser in his policies towards the Canal, Israel, the Arab States, and the USSR, will promote peace or Asian interests.

After that diversion, I revert to my question: Should the UK renounce the use of force as an instrument of policy and concentrate all her resources in building up her economic strength?

THE RENUNCIATION OF FORCE

The renunciation of force in foreign policy makes sense (as Mr. H. G. Morganthau, Director of Chicago University's Foreign Policy Studies, said in an article in the "New York Times" on January 6) only on three assumptions:

(1) That no other country continues to pursue its interests by using, threatening, or implying force.

(2) That if, e.g. Country B does continue to rely on force, a group of other countries with interests in common retain sufficient force to deprive Country B of the advantage of having been the first to use force.

(3) That e.g. Country A's interests cannot be threatened by subversive action, infiltration, partisan or tribal warfare, or by non-violent agitation, instigated from abroad, against any of which Country A can only defend itself by the threat or the use of force.

These three assumptions do not correspond to the facts of international relations.

If the UNO were what many people seem to think that it is — a supra-national tribunal of justice with supra-national powers of enforcing international decisions — a nation would be justified in renouncing the use of force. But although the UNO has many uses and virtues, its decisions are reached by bargaining in the lobbies and they do not reflect abstract principles of justice but changing coalitions of power and interests.

That being so, if Country A were to declare that it would cease to use its own force, in conjunction with its friends, to pursue their common interests, or that it would never use force first, or would not use it in certain regions, or would use it only when authorised by the UNO — then Country A would expand the freedom of action of Country B whose interests were opposed to it and would limit its own freedom of action. In substantial degree, Country B could not without regard for the interests of other nations and the nation that had foresworn force would have condemned itself to helpless inaction. By the time that the point was reached at which Country A must fight or yield all, Country B might have gained a decisive advantage. What is more, Country A's declaration that it would not use force against B unless B used force first would be an invitation to B to find means, short of force, to further its interests at the expense of others.

The apparently conclusive argument against the use of force except in reply to froce is the risk of atomic war. I submit that the exact opposite is true.

The renunciation of force increases the risk of atomic war, because the country which has foresworn force is impotent before the threat of force. Even the most unwarlike of nations reaches a point from which it will, in sheer desperation, refuse to retreat and at which it will stand and fight rather than commit national suicide. But a succession of retreats up to this point may have weakened Country A decisivly and/or may have led its enemy Country B to underestimate both Country A's strength and its will to fight. If either the USA or the USSR came to believe, rightly or wrongly, that it could destroy the other without being destroyed in the process, the risk of atomic war would become acute.

Weakness born of fear to use force leads to war. Peace is secured by the rational use of force. This means joining your force with that of friendly countries to support negotiations. It means recognising that, in an imperfect world, a bird in the hand is worth two in the bush.

In other words, it means being content to secure a realistic compromise that works, and be hanged to grandiloquent talk of "aggressors" and all the epithets that spring on readily to the lips of orators making propaganda speeches "for the record" at UNO.

If you insist on brandishing principles on all possible occasions, you promote inflexibility in international relations and intransigeant attitudes. True diplomacy promotes clarity of thought, and oils negotiations, by making no difficulty about admitting that what is at stake are divergent national interests — things that nobody need be ashamed of — to be ironed out by patient negotiation and readiness to compromise.

DEADLOCK PREFERRED TO COMPROMISE

The trouble about the contemporary use of principles is that so many people would rather have a deadlock with another country, leading to a continuously poisoned atmosphere, blowing up into periodical crises, than agree to a compromise, because that might admit that their cause was not wholly righteous and just. They seem to prefer nursing a national grievance and enjoying the feeling of moral superiority, and being in the right, to a compromise which would clear the air and perhaps render possible the diversion of funds and energies from national defence to more constructive spheres.

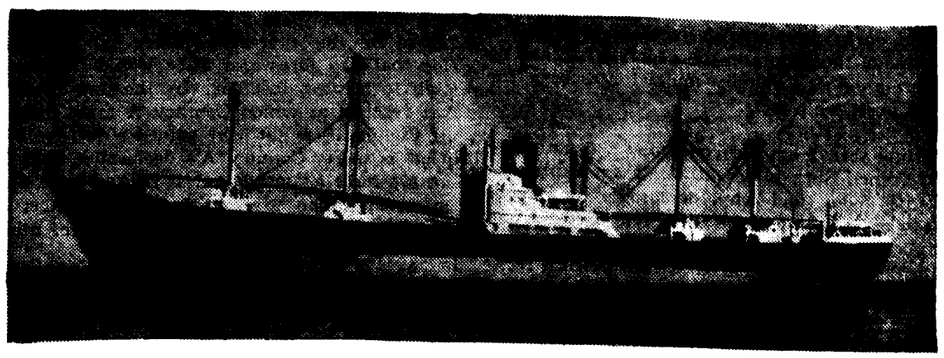
The classic example of the folly of the fear that the use of force begets war was the refusal of the British Conservative and Labour parties in the inter-war years to maintain Britain's armaments on a reasonable footing and their insistance on subordinating national policy to decisions of the League of Nations. Thus encouraged, Hitler, Mussolini, and Stalin in Europe, and Japan in Asia, proceeded to further their interests with steadily rising disregard for other countries. By the time that the free world took alarm and tried to make a stand, it was too late. World War II had become inevitable.

For these reasons, the UK will not today renounce the use of force as an instrument of policy. But I cannot emphasise too strongly that this is not the same as saying that the UK proposes to rely on the use of force alone.

One of the lessons brought home to London by the Suez adventure is the necessity of mobilising international opinion in support of any foreign policy. In other words, the British will rely first on trying to work out a common policy among a group of nations with the same interests. This should henceforth be — I had almost written "easier" but let us compromise on — less difficult, since one of the lessons brought home to Washington by Suez is the necessity of taking notice of the interests of your friends.

Secondly, the Suez adventure revealed the inadequacies of the present state of the British armed forces. The UK therefore plans to dovetail its production and weapons with US production so as to avoid duplication. Mr. Sandy's proposal that the UK should be content to "buy American" where she is behind hand, and to concentrate her production on those spheres where she is ahead, was welcomed in Washington. Over the next five to ten years, this will certainly render British policy more dependent on American, but the Macmillan government is looking further ahead and believes that, in the longer run, dovetailing armaments production will release capital and labour for more productive uses, and that this addition to economic power, plus the prosperity to be derived from a European common market, should build up Britain's strength and enable her ultimately to afford as much independence as any country can afford in the second-half of the atomic twentieth century.

That, at any rate, is how the problem looks from London.



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NEW LIGHT IN DARKEST AFRICA

(From Our Special West European Correspondent)

PARIS, February 8.

WATCHING a debate in the French National Assembly a few days ago, I was not surprised to see many Africans in the public gallery for the matter in discussion was a law granting the 13 French African territories democratic rights in advance of those given to India in the 1935 Government of India Act, although still far short of those given in the 1947 Independence Act. But, what would surprise many of my readers and what marked the difference between this debate and those in the British House of Commons, was that not all the black faces were in the public gallery. Indeed, the French Parliament was at the time presided over by a negro, Monsieur Modibo Keita, a deputy from the French Sudan. On the Government bench sat a Cabinet Minister much concerned with the subject in discussion, for he was also a negro, M. Houphouet-Boigny, a deputy from the Ivory Coast. Leading the debate was the vice-president of the Overseas Territories Commission (a standing committee of the Assembly), who was M. Said Mohammed Cheik, a negro deputy from the Comoro Islands. The "rapporteur" on the law in debate (or spokesman of the select committee) was a substitute judge of the French High Court, also a negro, M. Apithy, representative of Dahomey. And scattered around the semi-circular chamber, sitting among all parliamentary groups from the Communists to the conservative parties, were negroes elected in the same way and with just the same status as the white French deputies.

So before attempting any facile comparisons with the British laws that brought India to independence, one would have to take account of the totally different constitutional framework in which these French laws are devised. Whatever its faults and virtues, the 1935 Government of India Act was not presented by a Government that included Indian Ministers to a House of Commons that had an Indian Speaker and contained many directly elected Indian M.P.'s. Moreover, the African members of the French Assembly do not consider their presence in Paris temporary or as having as its object the securing of laws that will make their membership of the Assembly unnecessary, by obtaining total autonomy at home. They intend to stay members of the French Assembly, while arguing for limited "States' rights" for their home territories. In other words, their objective is not the independence of their respective countries (a project they reject as the Balkanisation of Africa), but a federation in which those countries will indeed have much more autonomy than the French Assembly is yet willing to grant but will for all that remain constituents of the same Republic as metropolitan France.

This fact is important, because the laws in debate at the time consisted, naturally, of lists of subjects some of which were handed over to the control of the African territories while others were reserved to the French Assembly. This sort of law is common to all gradual movements toward home-rule, but obviously it takes on a very different colour when the metropolitan legislature to which certain powers are reserved itself includes representatives elected from the overseas territories. So there was not much dispute, at least at this late stage, about which subjects should be reserved and which allocated to the local administrations. Discussion centred rather on how the local administrations should exercise the power being granted to them. The African deputies were not unanimously content with the upshot of the debate, and in fact M. Apithy refused to pilot his Bill through the House when restricting amendments were forced on him; but others were favourable if not enthusiastic, while frequently the Africans were divided on the normal French party lines: Communists, socialists, radicals and conservatives.

The laws before the house were eventually passed in much more liberal form than the Government had at first intended, and the reasons for this will be mentioned below. Their scope briefly is this. They concern the eight territories of French West Africa (Senegal, French Sudan, Mauritania, Niger, Upper Volta, Guinea, Ivory Coast and Dahomey), the four territories of French Equatorial Africa (Gabon, Middle Congo, Tchad and Oubangui-Chari), and finally Madagascar. In each of these countries there already exists a local legislature, elected by universal direct suffrage except in Madagascar. The new laws will empower these legislatures to elect a council of Ministers which will govern the internal affairs of the territory under the presidency of a centrally appointed governor. The Minister who gets most votes from the legislature will be the governor's deputy and will, in limited cases, be able to act for him. The council will be liable to answer the enquiries of the legislature, and will resign when it itself judges that it has lost the legislature's confidence. This latter formula is plainly a watered down version of ministerial responsibility; moreover the governor retains extensive powers. The list of powers reserved to Paris is long: army, security, education, customs, radio and overall economic planning. The individual territories in West and Equatorial Africas will further co-operate in forming similar governments for each of those regions as units, where a similar balance between French and local powers will obtain. Finally, all these territories will continue to elect deputies to the French Assembly as before.

Plainly, these measures do not constitute any sensational leap toward full self-government; but then no one has pretended they do and no one is trying to pass them off as the full and final measure of French liberalism. Rather, the debate finished with everybody quite clear on the fact that this was just the first stage, and that before very long the African deputies (and the many French deputies who support them) will be back asking for more. But nevertheless these recent laws are a substantial advance from simple colonial status, and an advance that matches (if it does not actually exceed) the present social and economic development of tribal Africa. The concessions the French Assembly has made are greater than one would have expected from it two or three years ago, and this suggests that at last France is drawing the moral from her disastrous experiences in Indo-China and North Africa. Not that West and Equatorial Africas now show the least sign of going the way of Indo-China, but wisdom in these matters is to anticipate colonial demands by concessions which err on the side of generosity. This appears to be the course France has chosen in darkest Africa.

Not only are these laws better than one would have expected two years ago, but they are, as I have already said, more liberal in their final form than when

they were first framed. This is because in the interim France had granted to her trusteeship territories in Africa, Togoland and Cameroun, almost complete autonomy. "Almost" complete, it must be emphasised, not entirely so; indeed India argued, in the recent debates on the changes in Togoland in the UN Trusteeship Council, that the measure of autonomy involved was deceptive. But this overlooked the fact that further gradual development toward greater freedom is provided for; a majority in the UN, including some members of the Afro-Asian bloc, did not overlook this, and approved the French dispensation. At all events, the Africans in the French colonies regarded Togoland's progress as enviable, whatever Mr. Krishna Menon thought of it, and pressed in Paris for greater liberality for themselves. The present laws were the compromise outcome of that pressure.

In general, the French colonial empire in Africa is subject to several external pressures which make it urgent for Paris to promote home-rule in this region lest foreign influence set the pace. The first of these has just been mentioned: the progress that has to be made, on UN insistance, in the trusteeship territories, which whets the appetite of Africans in the neighbouring colonies. The second is the quicker pace at which Britain is granting independence to her territories in the region, notably the Gold Coast and Nigeria. Although the Africans in the French territories are in favour of federation rather than independence within a commonwealth, they still want their own civil status not to fall behind that given their neighbours in the British colonies. A third pressure comes from the north: this is the attraction that newly liberated Morocco is trying to exercise on the adjoining colonies of Mauritania and French Sudan. A fourth pressure comes from the north-east: this is the Islamic propaganda of Nasserian Egypt, directed through the former Anglo-Egyptian Sudan toward the French territories of Niger and Tchad. The population of French West and Equatorial Africa is 22 millions and of this number almost nine millions are Muslims, so there is ample material for pan-Islamic propaganda from the north and north-east.

So France's problem in darkest Africa is not the leisurely task of gradually preparing the Africans for democratic home-rule, but rather the more delicate task of implanting solid democratic institutions that will preserve the connection with the metropolitan country, and doing this slowly enough for it to be effective but quickly enough for it not to be outbid by foreign demagogy. This has to be done in the face of sniping and subversion from hypocrites abroad who demand, in the name of "democracy", the speedy establishment of cardboard republics—not because the Africans will be free in cardboard republics but because cardboard republics are the easy victims of neo-imperialist domination. Still we cannot regret that the task has to be accomplished in such conditions because, in dealing with the old imperialist powers, we always have the suspicion that without such pressure the task might not even be begun at all.

Finally, in evaluating the progress toward autonomy that France is permitting in her African territories, we should not make the mistake of comparing it only with France's achievements in Morocco and Tunisia and with Britain's achievements in Nigeria and the Gold Coast. We should also compare it with the total absence of such progress in the neighbouring territories of the Belgian Congo, in the Portuguese colonies of Angola and Portuguese East Africa and in the Spanish African colonies — not to mention South Africa's "protectorates". Except for the last-named, one rarely hears these territories mentioned. This is another example of the paradox that the democratic imperialist powers, who are making a genuine if sometimes reluctant effort to promote their colonial dependencies, come in for all the abuse of the professional anti-imperialists while the really ruthless imperialists, from Russia down to Portugal, who sit quiet and do nothing, benefit from benevolent neglect.

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WORLDGRAM

AGRICULTURE

West Bengal Panchayat Bill: The President has given his assent to the West Bengal Panchayat Bill, 1956. The Bill has been promoted with a view to build up a system of village Panchayats in West Bengal. It provides for the setting up, at various levels, of village bodies invested with certain executive or judicial powers. At the base, in each rural area, there is to be one or more Gram Sabha, consisting of all adult persons whose names are on the electoral roll of the Legislative Assembly. For Every Gram Sabha there is to be a Gram Panchayat whose functions include ensuring of water supply and construction of village roads and bridges etc. Provision is also made for the constitution of Anchal Panchayats to be elected by a group of Gram Panchayats from among members of the Gram Sabha. Anchal Panchayats are to be responsible for taxation and maintenance of the rural police. The Bill also makes provision for the supersession and reconstitution of Gram Panchayats, Anchal Panchayats and other ancilliary matters.

INDUSTRY

Limits and Fits for Engineering: The Indian Standards Institution has circulated a draft Indian standard recommendation for limits and fits for engineering. The system of limits and fits recommended in this standard comprises suitable combinations of 16 grades of tolerances, or, in other words, grades of accuracy of manufacture, and 21 types of fits for both hole and shaft, ranging from fits of extreme interference to those of extreme clearance. It covers almost all the engineering requirements from very coarse to very fine gauge manufacture. It also defines many terms falling within this field and includes suitable figures to elucidate the point. Comments on this draft standard may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before April 11, 1957.

*

Development Councils for Electrical Industries: The Government of India have reconstituted the Development Councils for Heavy Electrical Industries and Light Electrical Industries. The new Development Council for Heavy Electrical Industries, which will cover industries manufacturing electric motors and machinery and equipment for the generation, transmission and distribution of electric power. The functions of the two councils remain unchanged. They are required to recommend targets of production, co-ordinate production programmes, suggest norms of efficiency, promote arrangements for better marketing and recommend measures for improving quality.

*

Extension Centres for Small Industries: Schemes to establish 34 Industrial Extension Centres to provide technical assistance to small-scale industries have been approved by the Government of India. Schemes for 15 more centres are under scrutiny. It is proposed to set up 60 such centres in the first two years of the second Plan period. The Extension Centres, which will be spread all over the country, are being set up to help specific small industries or groups of such industries concentrated in a particular locality. They will assist individual manufacturers in resolving the more common technical problems and refer difficult problems to the Regional Small Industries Service Institutes for advice. The centres will work under the guidance of the Institutes.

*

Standard for Seedlac: The Indian Standards Institution has just published an Indian standard specification for seedlac (revised). This standard is a revision of the Indian standard on seedlac which was published in 1949. In addition to the methods of test in the draft ISO recommendation, the Indian standard includes methods of test for the determination of bleach index and bleachability and non-volatile matter soluble in cold alcohol. The standard deals with terminology and sampling of seedlac and prescribes seven grades of seedlac namely, special A, B, C, D, E and F which are independent of colour designation, name of host trees or season, or any other proprietary name for various types of seelac now available in the market. In addition it includes requirements for volatile matter (moisture), matter insoluble in hot alcohol, colour index, bleach index and bleachability, non-volatile matter soluble in cold alcohol and ash. The Indian standard, which is based on the draft ISO recommendation for seedlac, is a step which will help to smoothen out the export trade because it is expected that the importing countries like the UK, the USA, France, Germany and others would also base their national standards on the draft ISO recommendation for seedlac.

*

Coal Tar Solvent Naphtha Draft Standard Issued: The Indian Standards Institution has issued a draft Indian standard specification for coal tar solvent naphtha, light, grade 2 for eliciting comments. The draft standard prescribes the chemical composition, physical properties and methods of test for the material commercially known as coal tar solvent naphtha, light, grade 2. Comments on the draft standard may be sent to the Indian Standard Institution, 19, University Road, Delhi-8, before April 21, 1957.

TRADE

Import Licences during July-December, 1956: Import licences of the total value of Rs. 461 crores were issued by the Offices of the Import Trade Control Organisation during July-December, 1956. This compares with the total value of licences issued during the earlier half year January-June 1956, which was Rs. 517 crores. The value of the licences issued in July-December 1955 was Rs. 344 crores. The total number of licences issued during the second half of 1956 was 1,38,361 as against 1,29,506 licences issued during the period January-June 1956. The Import Control Offices both at the headquarters in Delhi and at the ports disposed of a record number of applications for import licences during the period under review. The number of applications received was 2,03,071 as compared with 1,60,462 in the earlier half yearly period and 1,42,617 during July-December 1955. There was thus an increase of 26 per cent in the number of applications received as compared with the previous licensing period. The number of applications disposed of was 2,02,871 leaving only 200 applications pending—less than 1 per cent of the total receipts. The comparable figure of applications disposed of in the previous licensing period was 1,60,285.

*

Foreign Sea and Air-Borne Trade of India in December, 1956: The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during December, 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. 54.85 crores, re-exports: Rs. 60 lakhs (transit trade Rs. 2 lakhs); Imports Rs. 67.69 crores (transit trade Rs. 1 lakhs); Total Trade Rs. 123.14 crores. TREASURE: Exports of gold Rs. 1 lakh; Currency notes Rs. 18 lakhs; others negligible. Imports of

currency notes: Rs. 1.11 crores; others negligible. 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 and the total value of exports (including re-exports) of merchandise, gold and silver fell short of imports by Rs. 12.24 crores.

*

Increased Volume of UK Trade in 1956: During 1956 Britain had sold goods worth £3,173 million to oversea countries. Re-exports totalled £146 million. Imports in 1956 stood at £3,890 million. The December trade figures were: exports, £253.7 million; re-exports, £11.2 million; imports, £307.8 million. The area pattern of United Kingdom trade in 1956 showed a striking increase in exports to countries outside the Sterling Area, and especially to the dollar area—much greater than in any year since 1950. To such destinations there was a rise in exports and re-exports (excluding silver bullion repayments to the USA) of nearly £254,000,000, or 16 per cent. Two-fifths of this increase went to the dollar area, bringing exports to £250,000,000, or 24 per cent more than in 1955. Total exports to Western European countries also increased more sharply than in previous years. Most of the remaining increase in exports was to non-dollar Latin America, Japan, and Indonesia. Exports to the Middle East were somewhat higher than in 1955, principally to Iran.

FINANCE

Committee to Enquire into Customs Procedure and Organisation Appointed: The Government of India have accordingly (by a resolution published in the 'Gazette of India', dated February 2, 1957) appointed a Committee to conduct a comprehensive enquiry into Customs procedures and organisation and to make recommendations for their improvement. The enquiry will 'inter alia' cover the procedures for clearance of goods and passengers' baggage through the Customs, the administration of Import, Export and Exchange Control regulations, methods of classification and valuation of goods, procedure for grant of custom refunds and drawbacks, and liasion between Customs, Port Trust and Trade Control authorities. The Committee will function in the Revenue Department of the Ministry of Finance, Government of India, New Delhi.

*

Assistance to Village Industries: The Ministry of Production has sanctioned, among others, grants and loans totalling Rs. 89,900 for seven state schemes for the development of village industries. Among industries that will benefit are the village leather industry in Andhra Pradesh and Punjab, the handpounding of rice industry in Mysore, handmade paper industry in Jammu and Kashmir, the village pottery industry in Madras and the soap-making industry in Manipur. For executing specific schemes for development of handpounding of rice, Mysore has been sanctioned a grant of Rs. 14,530 and a loan of Rs. 24,000. Jammu and Kashmir has been sanctioned a grant of Rs. 16,250 for the development of handmade paper. A loan of Rs. 15,900 and a grant of Rs. 750 have been sanctioned for Andhra Pradesh and Punjab respectively for the development of village leather industry. Madras has received a grant of Rs. 9,000 for the development of the village pottery industry, while Manipur has been sanctioned a grant of Rs. 9,550 for the development of soap-making with non-edible oils.

*

Private Companies Founded in Northern Zone during November: Eighteen Private Companies with authorised capital of Rs. 1,22,20,000 were incorporated during the month of November, 1956, in the Northern Region consisting of Delhi, Punjab and Rajasthan. Of these, one company formed in Delhi had an authorised capital of Rs. 50,00,000. One Company having an authorised capital of Rs. 2,00,000 went into liquidation during the month under review. Nine Public Companies increased their subscribed and paid-up capital by Rs. 83,670 and Rs. 52,632 respectively. Sixteen Private Companies were prosecuted in Punjab and Rajasthan for failure to file the returns with the Registrars during the month. Of the pending cases, 19 were disposed of in Delhi and Punjab.

*

Company Formation in Northern Zone in December: One public Company and 14 Private Companies, with an authorised capital of Rs. 1 lakh and Rs. 134 lakhs respectively, were incorporated during the month of December 1956 in the Northern Region consisting of Delhi, Punjab, Rajasthan and Uttar Pradesh. Of these, one company formed in Punjab had an authorised capital of Rs. 50,00,000. Two public companies and 9 private companies, with an authorised capital of Rs. 22,00,000 and Rs. 68,60,000, respectively, went into liquidation during the above month. Six public companies raised their subscribed and paid-up capital by Rs. 15,66,880 and Rs. 9,55,690 respectively.

GENERAL

Electricity Output: During October, 1956, 753 public electricity supply undertakings produced 822.5 million kilowatt hours (kwh.), of which 670.1 million kwh. were sold to ultimate consumers. Power production during September, 1956, was 811.1 million kwh. One Diesel generating station and seven purchasing undertakings were the new additions during the month. The Diesel generating station is at Kasimpur in West Bengal. The purchasing undertakings are at Dasnagar and Tufanganj in West Bengal, Badbag and Kendrapara in Orissa and Umaria in Madhya Pradesh and Mansa and Dhansula in Punjab. Output and sale of power during October, 1955, were 719.3 million kwh. and 591.1 million kwh. and during October, 1939, 216.4 million kwh. and 180.0 million kwh. respectively.

*

Development of Indian Handicrafts: Two pilot schemes in the Nilgiris in Madras—one for the starting of a training-cum-production centre for the Kurumbas in mat-weaving and basket making, and another for training Toda women at Nigachimand in embroidery work, a scheme for the opening of three training centres —two for fancy weaving and one for carpets and druggests weaving in the Community Project Blocks in U.P., a scheme for the continuation of the Arts and Crafts Design Centre at Cuttack, and finally two schemes for the development of the kalamkari industry in Andhra Pradesh through the Balyalguda Cottage Industries Co-operative Society are among those which will benefit from grants and loans totalling Rs. 75,757 sanctioned by the Ministry of Production for the development of Handicrafts in different States. For the training-cum-production centre for the Kurumbas, the sanctioned grant is Rs. 11,015, while for the scheme for training in embroidery at Nigachimand, it amounts to Rs. 13,136. The grant for the Arts and Crafts Design Centre at Cuttack is Rs. 14,282, and that for the training centres in Community Projects in U.P. is Rs. 28,974. For the Kalamkari industry in Andhra Pradesh, a loan of Rs. 7,500 and a grant of Rs. 850 have been made.

*

Working Conditions for Dockyard Labour. Out of the 22 dockyards in India, 17 employed 36,709 workers whose wages ranged between Rs. 12 to Rs. 38 a month. The minimum dearness allowance varied between Rs. 18 to Rs. 58-8 per month. The employment in dockyard, however, fell from 52,809 in 1953 to 36,709 in 1955. The fall which was more than 30 per cent was pronounced in the case of contract labour.

NEWS IN BRIEF

INDIAN

The Union Government has set up an expert Committee to recommend measures for the promotion of exports.

*

The first Government oil drill would go into operation at Jwalamukhi by the end of this month, according to the latest information available at the Ministry of Natural Resources.

*

The Government of India has sanctioned 18,000 automatic looms for the production of 350 million yards of cloth.

*

Out of India's quota of 400 million dollars the International Monetary Fund has agreed to release 200 million dollars (about Rs. 100 crores) in the course of the next twelve months in favour of the Government of India.

*

The labour incentive scheme which has been in operation in the Chittaranjan Locomotive Works for about one year has resulted in the output of the works going up by 30 per cent and increased emoluments to workers, according to official sources in New Delhi.

*

The third national convention of farmers of India will be held in New Delhi from March 20 to 25, 1957. The convention is being called under the auspices of the Farmers Forum.

*

Calcutta port registered an increase of 216,922 tons or about 2.78 per cent in the total trade passing through the port in 1955-56, as compared with the previous year.

*

It is reported that the Centre is already supplying 70,000 tons of wheat a month to Uttar Pradesh and an additional allotment may be given shortly.

*

The Board of the East India Cotton Association is understood to have decided to include "four average quality" of cotton for the purposes of tendering in the hedge contracts.

*

The Government of India has announced that the total quantity of Indian cotton released for export is 2 lakhs bales and not 150,000 bales.

*

The Indian art silk industry has entered into agreement with its counterpart in Japan to make a bulk purchase of more than three million lb. of rayon yarn from Japan at prices 10 per cent cheaper than the ruling prices in Europe, India's main source of supply.

*

A cash contribution of £8,00,000 and provision of technical aid for the execution of the Delhi milk supply scheme have been promised by the New Zealand Mission.

*

A press note issued by the Central Board of Revenue says that the rates of stamp duty on promisory notes falling under entry No. 49-B of the first schedule to the Indian Stamp Act are being fixed at the same levels as the rates on bills of exchange of equivalent amounts.

FOREIGN

The Bank of England has lowered its interest rate for lending money from 5½ to 5 per cent.

*

American round-the-world air service will come to Bombay for the first time when Trans World Airlines inaugurates its new global flights later this year.

*

An Asian College Press Conference will be held in Manila from February 18 to 24 under the joint auspices of the Student Councils Association and the College Editors Guild.

*

It is reported a five-man United States trade mission will soon leave for India when they will tour the country to assist and advise businessmen on Commercial activities in the U.S.

*

It is reported approximately 100,000 tons of rock phosphate would be available for export from Israel in 1957. The first year during which large-scale exports will become feasible.

*

German shipbuilding output last year amounted to 987,718 gross registered tons of ocean-going merchant tonnage against only 884,978 tons in 1955. Exports accounted for 566,159 tons against 422,672 the previous year. The value of delivered tonnage was DM 2,135 million (£182 million) against DM 1,971 million (£168 million) in 1955.

*

About 220 foreign enterprises, including 107 subsidiaries, are now sharing in Dutch industrial production. Their annual contribution to Dutch output amounts to about Fls. 750 million (£70 million) gross, of which more than 50 per cent is exported.

*

British output of man-made fibres reached a new record in 1956. A total of 482.6 million lbs. was produced, as increase of 2 per cent on 1955.

*

Britain's hosiery industry was working at record levels during August, September and October last year. According to figures published in the Board of Trade Journal, production in the three months August to October last was 6 per cent greater than in the corresponding period a year earlier.

*

The Washington State International Trade Fair, sparing no effort to make the 1957 exposition more profitable and interesting to national government exhibits and buyers than ever before, is sending a merchandise expert to six Asian countries to advise on samples for the coming fair.

*

Holland's two leading shipping companies, the Royal Rotterdam Llyod and the Nederland, have decided to increase passenger fares on the Cape route by about 15 per cent with effect from 1st March.

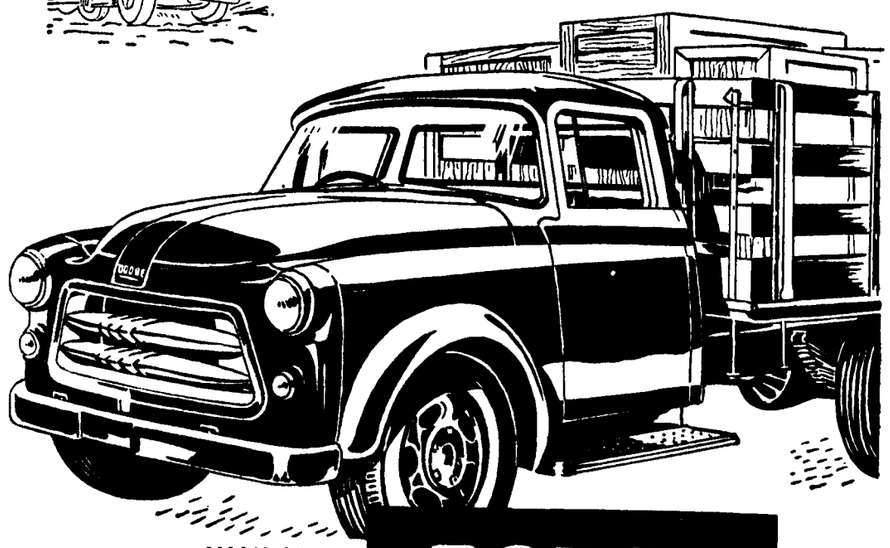
*

Output of coke in the European Coal and Steel Community in 1956 reached a new record level of 74.8 million metric lbs. This represented an increase of 9 per cent over the 1955 figure of 68.6 million metric tons.

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Special Article

SMALL BUSINESS IN AMERICA

THERE is far too much talk in our country about encouraging small-scale industries and far too little of actual work and of a suitably planned approach to the problem. Even the few honest efforts made here and there do not last evidently because of the lack of adequate encouragement. And even where encouragement is given, the absence of an agency to follow up how the assistance given is actually used by the recipient unit of the industry, precludes a proper assessment of the position. Nor are there special and specific bodies of the two Houses of Parliament to keep track of the problems of these industries. Whatever has been done so far—reports by expert bodies, formation of directorates, etc.—barely touches the fringe of the problem.

But it is not only in our country with all these handicaps that the small-scale industries present a problem; their lot does not seem to be very much different even in countries like the USA, where the small-scale industry is supposed to be a pet and privileged child of the State. "The small business man" (this term includes both the small industrialist and the small trader), it is claimed by Americans, "is the traditional symbol of individualism and our free enterprise system". And yet President Eisenhower has found it necessary to busy himself with a new programme based on a recent report (published in August last) of a Special Cabinet Committee on Small Business, which was headed by Dr. Arthur F. Burns, the then Chief Economic Adviser to the President. This report recognised that problems pertaining to small businesses did exist and also recommended certain types of assistance, such as tax relief, reduction of reports and red tape, improved procurement and stepped-up anti-monopoly action, among others.

This report and the difficulty of formulating policies for the President's proposed programme form the subject-matter of an interesting discussion in the latest Monthly Letter of the First National City Bank of New York. The first difficulty with regard to small businesses arises in regard to the definition of what small business is. There is then the problem of devising steps, which, while being helpful to small business, must not adversely affect bigger units, some of which at least have grown big in the normal course by adopting fair business practices. Now, no definition can be fool-proof, nor can it satisfy all criteria, as the reported differences between the Small Business Administration and the Senate and the House Small Business Committees in the US show.

It is interesting to note that, according to Mr. Eisenhower, the number of small businesses in the USA are approximately four million—which is estimated to be about 95 per cent of the total business population in that country at the beginning of 1956—providing employment to more than 25 million people and accounting for about a third of the national output of goods and services. These small business men belong to the category of those (whom one finds all over the world) who do not care to work for others but prefer to risk their time, their ingenuity and their savings in an enterprise of their own choosing. Really speaking, it is these who constitute the core of free enterprise in any country and not the tall poppies only —the tall poppies don't even constitute a majority as some of our official spokesmen seem to believe and, what is worse, also base their policies on this belief. If, in India, we say it is anybody's fundamental right to practice whatever profession he chooses, the Americans say it is the inalienable right of anyone in America to lose one's shirt. That is his cherished right. Although we too say we cherish such a right, some of the policies and measures of our Government do not appear to reflect this conviction.

Instead of isolating the complex and varied problems of small business, the discussion in the F.N.C.B. Letter seeks to approach the difficulties that crop up in what it calls "those broad areas that greatly influence small firms' ability to get started and grow" and names big Government, big labour, and big business as such areas. Mark the order in which these areas have been listed; it also shows the order of the extent of hurdles to small business that these constitute. Contrary to popular notion, the discussion convincingly brings out that it is not really big business that is the bugbear and undoing of small business, but that distinction belongs first to big Government and next to big labour. This is not very different in our country either. Let us see in what way big Government and big labour behave, according to the F.N.C.B. Letter.

The first problem that big Government creates for small business—why, for that matter, for every business—is the heavy burden of Federal taxes. Examining how heavy taxes affect business, the Letter says: "These levies hit small business in two ways: first, they infringe on ability to plough back profits into the business. Retained earnings are normally the principal source of money for the expansion of a successful business. Second, the small firm looking to outside sources finds wealthy bankers few and far between. Their numbers have been decimated by the wealth-redistributing effects of twenty-four years of steeply progressive income and estate taxes". This is also the experience in the UK. One would naturally expect any Government to profit by these glaring experiences of other countries, but, in their superior wisdom, our rulers seem to believe in themselves experimenting the very same policy all over again to be convinced of its proved results and that with a vengeance. Thus, ploughing back is sought to be effectively discouraged in our country by both heavy taxes and, now, by compulsory deposits of reserves.

The second problem that big Government confronts small business with in America, we are told, is the orders which Government places. Apart from intricate military items, most of these are the products of private economy. The trouble with Government orders is that they are not spread out (as seems to be the case with the order of the Defence Department) but are subject to annual appropriations.

A third source of nuisance to small business—this is a source of nuisance to almost all businesses in our country—is stated to be the Government operation of such things as ice cream plants, laundries and false teeth factories. True our Governments have not quite descended to this level, and it must come as a surprise to many in this country that even in that haven of free enterprise that the US is, the Government should be operating nearly 20,000 commercial-industrial activities in competition with private industry! But this does not make it less of a nuisance.

Yet another headache occasioned by big Government is "the mountain of paper work required of a

small business man, partly in connection with the work he is supposed to undertake as an uncompensated collector of taxes levied on employees and customers". This is, of course, in addition to "the mountain of rules, regulations and edicts promulgated by Governments, State, and local, as well as Federal, which tell the business men everything from the kind of language he can use in advertising his product and the working conditions he must provide if working on Federal projects to the kinds of ingredients he can put in his product and the level of wages that must be paid". The small business man in India may have something to comfort him, in that his confrere even in America suffers from the same handicaps, but public opinion both here and in the USA rightly regards this as too much of a nuisance to the poor devil of a small business man.

The headaches that big Labour causes even more acute and here, again, our small business is a fellow-sufferer. Our labour leaders will do well to take note of what their demands mean to our small industries, even as they are to small business in America. The F.N.C.B. Monthly Letter compendiously terms the set of problems that big Labour creates for small business as "the wage-price-cost squeeze". The upward trend in the cost of doing business in recent years has particularly affected small business, we are told, because they are marginal producers and are, in consequence, less able than larger companies, to pass on increased costs in higher selling prices. These small businesses are forced to accept patterns of higher wage rates and other benefits as per agreements between labour and large-scale employers which they can ill afford, so that there is a rise in costs which is beyond what they can recoup by higher selling prices and the result is a squeeze on their already narrow margin of profit. A well-known labour leader—Harold J. Ruthenberg—recently exhorted to the Unions to adopt a realistic view-point, co-operate with and not drive the small manufacturers to the wall. According to him, "the Unions—not the cupidity of big business—are a prime mover in the tremendous merger programmes that have been under way in the last several years in American industry. They force a small company over the horizon, over the hill where they have got to go and get under the umbrella of a big company by becoming a division of it—selling out".

It is noteworthy that it is not any wanton action of big business that harms small business. Inherently, big business has certain advantages which small business does not have, such as, for instance, ability to command quantity discounts (because it can place at any time orders for a large quantity) and availability of credit. Here, the F.N.C.B. Letter pertinently draws a distinction between lack of credit and lack of capital. Many small business men do not actually mean credit facilities when they complain that they cannot raise funds. There are also other ways listed by the Letter in which big business has an edge over small business, as, for example, pace of technological changes, growth of radio, television and other mass media which big business can more easily take advantage of than small business. On the other hand, small business also has certain advantages denied to big business, such as the ability to have closer personal touch and do more of a custom job, attracting customers on the basis of speciality products, quality and personal service rather than price and greater flexibility to switch-over from one line to another to meet changing market conditions and tasks. Finally, in more cases than not, the two are complementary and supplementary and not competitive and suppressive of each other at all. This vital interdependence has been strikingly brought out in a recent study by the Du Pont Company as follows: "Contrary to popular belief, the bigs and the littles do not compete directly for the same business. The bigs do the jobs for which they are best-equipped—volume production, large-scale research and developments. Only companies with large resources can participate in these fields requiring heavy investment in development and productive facilities. The small companies, on the other hand, excel in processing, converting and distributing the products of big business".

From the point of view of India, what is noteworthy about this discussion is not the complexity of the problem as such, which everyone recognises, but what President Eisenhower proposes to do to meet it. His programme is expected to provide for a 20 per cent cut in the present 30 per cent. Federal taxes on a Corporation's first $25,000 of income; for accelerated depreciation on used machinery purchases up to $50,000 a year; option to taxpayers of paying death taxes over a period of up to 10 years in cases where the estate consists largely of investments in closely held businesses; and option to Corporations with 10 or fewer stockholders of being taxed as if they were partnerships, thus enabling them to avoid being taxed twice on their earnings, all involving a loss of $600 million to the American Exchange every year. These must, of course, remain of academic interest to small business in India, where our Finance Minister is intent not on reducing taxes but on enhancing them even beyond the maximum limit of possibility set by the Taxation Enquiry Commission.

In summing up, the Letter observes that no programme, however well-conceived, can be a cure-all and that there are limits on what can be accomplished to small business. However, it says the Government can help all business, not small business only, by pursuing "monetary, fiscal and house-keeping policies that foster sustained expansion in overall business activity without contributing to price-inflation". This advice can as well be offered to our own Government today.

BOOK REVIEWS

INDUSTRIAL INDIA

Industrial India Annual 1956: Edited by T. V. Jayaraman: Published by the All-India Manufacturers' Organisation, 4th Floor, Co-operative Insurance Building, Sir Phirozshah Mehta Road, Bombay-1: Pages 196: Price Rs. 3-8.

This exquisitely-produced Annual of 'Industrial India' is a worthy and welcome addition to the recent annuals brought out by other institutions. The publication is in two parts—the first containing general articles and the second giving special reviews of industries. The leading articles in Part I cover India's socialist pattern, tax problems, role of tariffs in industrialisation, resources for the Plan and the economics of atomic industry. The restrained tone of these articles renders the criticisms made therein all the more convincing. The editor thinks that the socialist pattern, "has still in it a hard core of the Sarvodaya spirit or philosophy". This is a consoling thought. Mr. Murarji J. Vaidya, Chairman of the Editorial Advisory Board, who writes on what a truly indigenous pattern of socialism should be, makes the pregnant observation that "the concept of socialism has to be moulded into an Indian pattern where the basic concepts of human liberty, of moral values and of voluntary and spontaneous sharing of the material possessions and resources are emphasised as against a regime of controlled and super-imposed pattern of life". In the context of what Vinoba Bhave has achieved, the author thinks that there is a promise of fulfilment of the ultimate objective of social welfare through a just economic order based on moral values. The lack of a two-party system, the 'cult of personality' ingrained in the ruling Party, the domination of the legislature by the executive and the failure to make a clear distinction between the state, the government and the party, are referred to more in sorrow than in anger in another leading article.

The article on the economics of atomic industry is very interesting. It drives home the point that in view of the heavy capital requirements of this industry, countries with limited resources cannot develop it. When a country like India has not made full use of her other sources of energy like coal, oil, hydro-electric power etc., there is no point, the Editor says, in wasting the limited resources in the development of new forms of energy. The immediate possibilities of atomic energy are described as very limited, for atomic raw materials are very limited in supply. The article entitled 'Tax Problems and Austerity' makes out a good case for a sectoral study of tax burdens as a global picture of the overall income generation in the country is insufficient and misleading. The article on the role of tariffs in industrialisation pleads for making them an integral part of the business of planning. Among other illuminating articles in Part I mention may be made of the 'Income Targets of the Plan' by Prof. Hannan Ezekiel, the 'Labour Policy in a Socialist State' by V. V. Giri, the 'Role of Research in Industrial Development' by Dr. S. D. Mahant and the 'Productivity of Labour in Industry' by Dr. N. C. B. Nath. Part II of the Annual, covering minerals, heavy and basic industries, engineering industries, transport, plantations, ceramics, and other industries, is very valuable on the score of up-to-date facts and figures found in a series of articles. The Annual as a whole, printed on art paper and reproducing a number of photographs, has an impressive look. What is more, the factual articles in the Annual invest it with reference utility of a reliable kind.

POPULATION

Population Review: January 1957: Vol. 1, No. 1: Published by the Indian Institute for Population Studies, Gandhinagar, Madras 20: Editor Dr. S. Chandrasekhar: Pp. 54: Price Rs. 5.

This bi-annual journal of Asian demography is the official organ of the Indian Institute of Population Studies recently started to popularise existing knowledge about population problems and to add to it by further research. The Editor is a well-known student of demography and the 'Review' is thus bound to go a long way in filling the lacuna in this field. In a country like India where poverty and lack of resources are the major problems, the control of population is of crucial importance and it is a good sign that here the Planning Commission and the Government of India are bestirring themselves. But independent study and research of demographic problems is no less important and urgent. The first number of the 'Review' contains some good articles. Mr. R. A. Gopalaswami writing on 'Family Planning and National Planning' explains how family planning is vital as a means of stabilising the size of the nation thereby promoting national welfare. Prof. Stuart Kirby, in an article entitled "An approach to Population Policy in Asia", pleads for fresh applications of the lessons of rationalist thought on population problems. Dr. LeRoy Allen explains the family planning study conducted by the Vellore Christian Medical College in a rural area as a part of a comprehensive health service. The journal also contains some good book reviews especially on population problems. Though a bi-annual, the price seems to be rather on the high side.

POLITICAL SCIENCE

Laski Institute Review: Vol. I No. 1: December, 1956: Published by the Harold Laski Institute of Political Science, Ahmedabad: Editor Purushottam G. Mavlankar: Price Rs. 2.

The original contribution of Professor Laski to political and social thought is so immense that it may require a good many years to be systematically assessed. India has particular reason to be grateful to Laski's memory, for he so warmly identified himself with the cause of her freedom. It is, therefore, appropriate that an institute of political science named after him should have been started in Ahmedabad in 1954 to encourage the scientific study of political problems. The 'Laski Institute Review' which has made its debut as a bi-annual under the auspices of the institute, naturally deserves good reception. In a message which the journal carries, Mr. Nehru points out how Prof. Laski not only taught Economics and Politics, but how to apply them to human welfare. Therein perhaps lie the lines on which the journal can profitably look forward. Being the first number, the 'Review' consists mostly of reproduction of speeches of leaders and distinguished persons made on different occasions. It is to be hoped that the future issues will contain articles written specially for the journal keeping in view the ideals of Laski to whom 'service to thought is the noblest calling".

WORKERS' EDUCATION

Co-operation: A Worker's Educational Manual: International Labour Office, Geneva: Pages 157: Price Rs. 6/-.

It is being increasingly recognised that for the successful working of industrial democracy, a systematic programme of workers' education is very essential. In his report to the I.L.O.'s Annual Conference in June 1956, Director-General David A. Morse said that the aim of the workers' education programme was "to promote among the workers, in all parts of the world, an objective knowledge of the social conditions and problems confronting them so that they will be able to deal with these problems in an intelligent, rational and responsible way". To give concrete shape to it, the I.L.O. began in 1956 to prepare a number of courses in the form of concrete manuals written in concise language for the purpose of educating both teachers and pupils in this field.

The course covered in this book is concerned with co-operation. It consists of 14 lessons which deal comprehensively with the different aspects of this vast subject ranging from the origins of the movement and problems of structure and management to the relationship between the State and the Co-operative movement. Each lesson is followed by a series of questions. The questions sometimes go further than the relevant lesson, and some of them call for further research which can be affected by means of the publications suggested for reading on the part of the pupil. There are bibliographical references at the end of the book.

The work done by the International Labour Office in this field merits ample appreciation. The publication of this manual has accidentally coincided with the appointment by the Government of India of an eight-man team for workers' education. It could be of great use in the formulation of a programme of workers' education in this country.

The Business World

ARBITRARY PRESCRIPTION FOR COTTON

By

CROESUS

OF late commodity markets have been behaving rather queerly. There are clear signs that the Forward Markets Commission, which has been entrusted with the task of supervising the efficient and satisfactory functioning of these markets, is beginning to assume more and more powers. Only, presumably due to the painfully long-drawn out episode of the cotton crisis in December-January 1955-56, the Forward Markets Commission has lately been extra cautious in its approach, as witness its tackling of the situation in the oilseeds market not long ago. When there was a marked increase in prices of groundnut and castor futures, the Forward Markets Commission called pointed attention to this trend and asked the Bombay Oilseeds Exchange to take necessary remedial action. At the instance of the F.M.C., the Bombay Oilseeds Exchange promptly stiffened the margin system which has stopped a further rise in prices, at any rate for the time being.

In the case of the cotton futures market, there was a period late last month when there was quite an upsurge in prices. The Jarilla contract was taken up as high as Rs. 681 on January 28, the rate which was quoted even on the very first day of the resumption of trading inaugurated by Mr. Morarji Desai, the Union Minister for Commerce and Consumer Industries, on June 18, 1956. True, the rate was taken up even higher —Rs. 706—at one time, but, then, for the greater part of futures trading in cotton, the predominant characteristic has been distinctly bearish. Accordingly, opinion has steadily gained ground in the cotton market in Bombay that, unless something is done, this bearish characteristic of the contract will continue to plague the market to the detriment of effective hedge trading. It was in this connection that the East India Cotton Association mooted the question of bringing about some amendments to its by-laws. By-law 55, which provided for the fixation of tendering differences on the basis of futures prices, for example, was sought to be amended, so that tendering differences could be fixed in relation to spot values. This amendment, it was firmly believed in market circles, would, in the first place, remove the wide disparity between spot and futures prices and thereby lay the axe at the root of the inherently bearish bias of the hedge contract obtaining now. Along with the amendment to by-law 55, it was also suggested, by a large section of the trade, that a suitable amendment should be effected to by-law 61 dealing with the invoicing back provision. This school argued that it was essential to safeguard the interests of buyers in case of failure of sellers to tender and the only remedy to do so in some measure was to amend by-law 61 simultaneously with by-law 55. Against this, however, it was argued by some that amendment to both the by-laws simultaneously would only amount to inviting trouble, in that it would accentuate the avoidable bullish implications of the present hedge contract. In other words, they said it would, in effect, mean the substitution of one evil for another; if the bearish slant of the market were replaced by an undercurrent of sustained bullishness, there was no knowing what actions the F.M.C. might take.

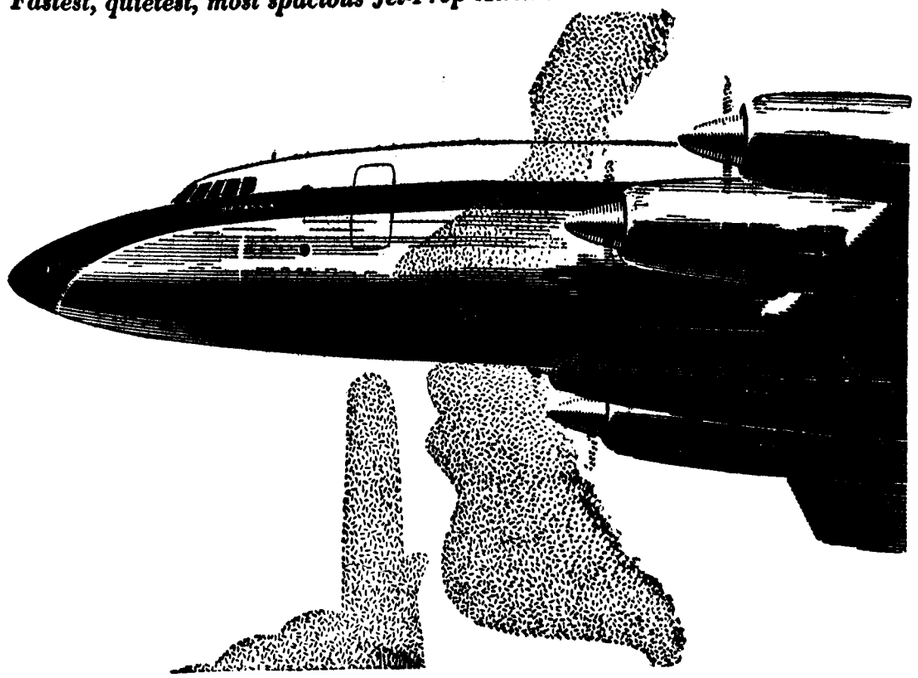
While conflicting views were being expressed thus by the trade and the mills over the issue of amendments to the East India Cotton Association by-laws, the EICA decided in favour of amending by-law 55 with effect from the coming settlement, while recommending 'status quo' in respect of by-law 61. This decision was still awaiting the approval of the F.M.C., when, like a bolt from the blue, came the EICA's latest proposals, following a meeting on February 1, 1957, to help assist the Government in curbing the inflationary trend in the country. By an official notification, the EICA appealed to the trade to fall in line with the overall policy of the Government to curb inflation and also pleaded for the co-operation of the trade to enable it successfully to implement some of its new proposals to check speculation. These measures include, among others, the raising of the margins in respect of futures and the stoppage of trading in delivery contracts. Strangely enough, the EICA also let it be known that the 'status quo' would be maintained in respect of by-law 55; that is, it declared, in effect, that the much-debated amendment of the by-law also was to be put in cold storage.

Naturally enough, the cotton trade generally has taken very strong exception to the rather arbitrary manner in which the EICA has thus proceeded to prescibe its own novel—if it is too much to say, imposed—remedies to cure the prevailing cotton malaise. The question is accordingly asked: "Why has the Forward Markets Commission's duty been taken over by the EICA, which is supposed to function as the spokesman of the cotton trade?" The trade is frankly perplexed as to what desperate need there was for the EICA to proceed with the measures to curb imaginary speculation it has so suddenly proposed now. For it can be easily established, besides being known to all, that there had been no speculation in the cotton futures market at the time when the EICA met to consider the question, nor, for that matter, either immediately preceding or following it. Even when the Jarilla contract ruled around Rs. 681 as on January 28, 1957, there was no such move by the EICA in anticipation of Governmental interference. Nor was there any move by the F.M.C. to come to the aid of the market when the contract suffered a precipitous decline to Rs. 618 as on December 28, 1956. In the circumstances, it is rather stretching the point too much to suggest, as the EICA seems to, that the recent recovery movement was directly attributable to speculation. Not even when the contract was ruling around Rs. 706 was it considered alarming either by the F.M.C. or by the E.I.C.A. How then has it come to be felt that the much lower level of Rs. 681 was reached because of speculation? It must be pointed out here that this level was reached towards the end of January, when there were definite evidences to show that Indian cotton had suffered some damage qualitatively, and, what is more, the sustained demand for Indian cotton then was further aided by the approach of the tendering period.

In the light of the foregoing, it is clearly crying wolf—and also acting on that basis—by the EICA to confront a distinctly declining cotton market with a set of arbitrary measures meant to stop an imaginary 'speculative rise in prices'. The only explanation to all these can be that a large majority of the traders themselves are interested in perpetuating the bearish phase of the market. This is, indeed, a situation fraught with grave consequences, although it must appear to the authorities propitious at the present inflationary juncture. Let the F.M.C. take note of this.

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Economic Report from the U. S.

THE AMERICAN GOVERNMENTAL SYSTEM

(BY GUY SIMS FITCH)

WASHINGTON, Feb. 6.—Under the American governmental system, States and local Communities bear primary responsibility for many vital public services. Over the years, spending by these governmental units on schools, highways, hospitals and other facilities has consistently exceeded the expenditures for these purposes by the Federal, or National, government in Washington. In fact, much of the Federal spending in these fields has taken the form of financial aid to the States. And the States, in turn, have helped local communities meet their obligations.

In the past decade, under the impetus of population growth, rising living standards and correspondingly increasing demands, State and local spending has shown a steady, and indeed, a spectacular rise. Thus, while total Federal expenditures have fluctuated, largely in response to national defence needs, total State and local outlays have gone up continuously, year by year. In 1956, State and local governments spent all told $32,800 million on goods and services, three times the 1946 total, and nearly double the 1950 total. From 1955 to 1956, governmental spending — Federal and non-Federal — rose by $3,100 million to a total of $79,900. million of this increase, fully $2,700 million was accounted for by increased State and local outlays.

This year, States and communities face a particularly heavy task in meeting the need for men for new and expanded facilities. Their central problem thus now is how to bring revenues in line with soaring expenses, which probably will exceed $35,000 million in 1957. A few States still have surpluses accumulated in prior years, but most have depleted their reserves and must find new funds.

This inevitably calls for larger tax receipts. In 1955, more than 3,000 tax revisions were instituted by State legislatures, nearly all of them upward. These tax revisions, along with the stimulus of record business activity and consumer earnings helped narrow the gap between outgo and income. But now the States must find ways of keeping their budgets in better balance if they are to continue providing the necessary public services. Among these services are more and better highways; more aid to local public schools; expansion of State institutions for higher education health and welfare. To meet these needs, States have been drawing on diverse sources. These include general sales taxes, individual corporate and income taxes, and special taxes on motor fuel.

By and large, States have left the taxation of real estate and personal property to local governments. These levies thus have been the backbone of financial support for counties/cities, towns and other local units. But local governments also feel pinched financially, as their costs, particularly for school construction and maintenance, have been going up. So the local government needs more help from the States, thereby increasing the pressure on State budgets. The likelihood is, therefore, that many State legislators this year once again will be considering upwards revisions in their tax schedules to provide for the rising outlays they see ahead.

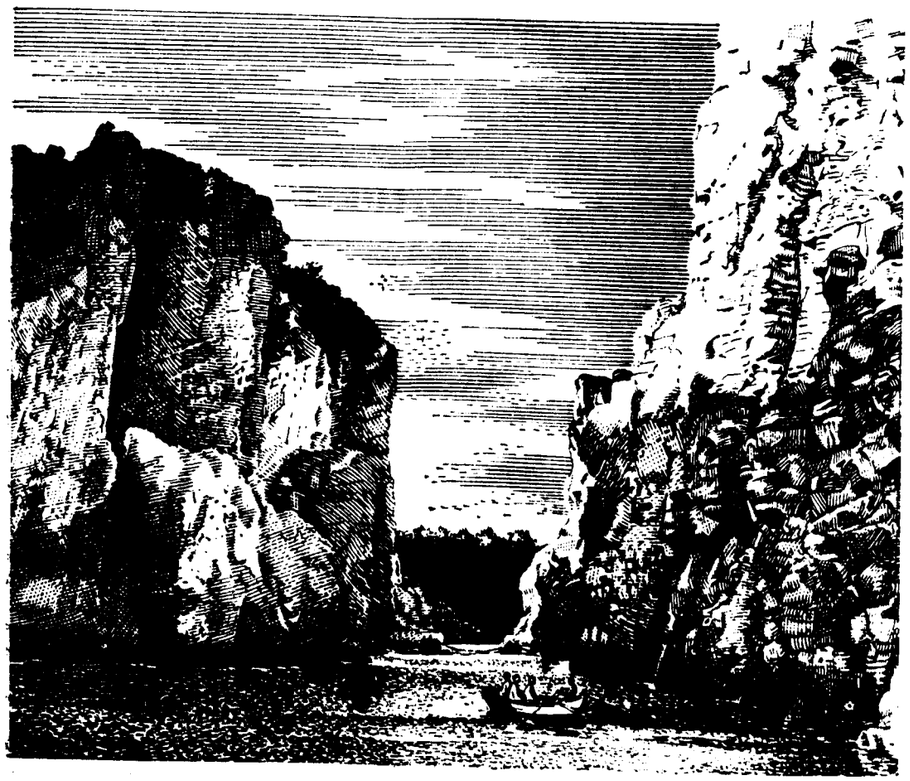
Quite aside from the national economic impact of State and community projects, there is one especially heartening aspect to this development. It lies in the attitude of the people themselves. They not only want new and better facilities, but they are willing to pay for them. They have shown this by their general approval of higher tax rates where necessary, and by their votes in State and local elections for special bond issues to help finance the public services they require.

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BUSINESS NOTES

BANK RATE AND THE ELECTRICITY INDUSTRY

IT SEEMS to be the unenviable lot of the electricity industry to become a frequent victim of contradictions arising out of diverse legislations. There was, first, the difficulty in regard to the question of depreciation between the Income-tax Act and the Electricity (Supply) Act giving rise to the deferred tax. Then there is the problem created by statutory requirements of the Finance (No. 3) Act which stipulates, inter alia, that depreciation funds and past profits should be paid into the Reserve Bank which conflicts with the provision under the Electricity (Supply) Act which lays down that depreciation funds are to be invested in the business. Past profits, if any, have already found their way into the business, especially as this capital intensive industry is short of venture capital. Under the Act, it is also obligatory that the Contingencies Reserve, required to be created under the Act, be invested in Government Securities.

Now, apart from the fact that the electric supply licensee is critically short of development finance and has to depend upon the funds subscribed by the consumers for providing depreciation, as required by the Sixth Schedule to the Electricity (Supply) Act, he cannot reasonably be expected to use such monies to make the deposit under the Finance (No. 3) Act. True, inasmuch as the expenditure incurred on plant to discharge the obligations under the Indian Electricity Act would be deemed as a "purpose connected with the business of the Company approved by the Central Government" and, therefore, where a deposit has had to be made by a licensee from funds earmarked for investment in plant, the deposit would be refunded. But in discharging the obligations under the Finance (No. 3) Act, it should not be forgotten that the licensee would be obliged to postpone fulfilling his obligations laid down by the Indian Electricity Act at least until such time when an application for the refund of deposit is made and the deposit is actually refunded. In other words, the Finance (No. 3) Act would become inconsistent with the electricity laws and, therefore, it seems to be necessary for the Government to lay down that depreciation monies, accumulated under the Electricity (Supply) Act, are exempt from the scope of the relevant provision under the Finance (No. 3) Act regarding deposit. Unless this exemption is given, the position of electricity undertakings would be highly unenviable. For, even when they have no finance to make the deposit, as required by the Finance (No. 3) Act, they would not be able to escape the penalty consequent on failure to deposit, namely, loss of income-tax depreciation allowances. This naturally means a corresponding increase in tax liability.

The latest to affect the electricity supply industry is the decision of the Reserve Bank of India to increase its lending rate for advances against Government Securities and other eligible paper. It is not clear whether this rate or the Usance Bills rate, exclusive of the Stamp Duty, would be regarded as a Bank Rate. To the electricity undertakings, this is a very material point inasmuch as the Standard Rate has been linked to the Reserve Bank Rate so as to enable the former to be automatically adjusted with money market. Now, following the increase in the effective lending rate by the Reserve Bank, the object of Electricity Supply Act is, for all practical purposes, frustrated. In other words, so soon after the enactment of the Electricity Supply Amendment Bill 1956, it already seems to have become out-of-date, thanks to the Reserve Bank's latest decision. It is to be hoped that at least this experience will serve to bring home to the authorities the advisability of linking the rate of return to the electric supply industry to long-term interest rates rather than to short-term rates as at present. It is needless to add that the requirements of finance of industries generally and of the electricity industry in particular are, by nature, of a long-term character.

A CRITIQUE OF KALDOR'S REPORT

A MOST provocative contribution on the subject of tax reform in this country came last year from Prof. Kaldor. His proposals to some extent have stolen the thunder from the report of the Taxation Enquiry Commission. With the revival of the capital gains tax in an aggressive form and the almost certain prospect of further taxation measures in the coming budget, considerable attention has been riveted on Kaldor's report which, in essence, attempts to add to public revenues mainly at the expense of the current incomes of higher groups which in fact are contributing most to building the economy. This at once raises the crucial problem of incentives towards both enterprise and accumulation in the private sector and it is here that a brochure on this subject issued by the Federation of Indian Chambers of Commerce and Industry comes as a timely exposition on some of the not-so-well-understood and much less appreciated aspects of the subject.

The Federation rightly holds that a major defect in respect of the treatment accorded to the problem of finance in the second Plan is that it has tended to ignore the basic needs of the private sector and also the inter-relations between the sources of finance for the private and public sectors. When making estimates of additional taxation, account is seldom taken of the likely effect of such additional burden on private savings and investment. If one were to consider only the question of diverting resources to the public sector in adjusting the tax system, it will result in leaving very little resources for the private sector which has to fulfil an investment programme to the tune of Rs. 2,400 crores under the Plan. From this point of view, the Federation, therefore, holds that an additional tax burden of the order of about Rs. 100 crores per annum as suggested by Mr. Kaldor will very likely lead to serious adverse consequences. Similarly his proposals for changes in business taxation will react on the capacity of private enterprise to finance the industrial projects out of its own earnings as envisaged in the Plan. The net effect would be that industrial savings so much relied upon in the Plan for capital formation, will be seriously impeded and the private sector will not be left with the necessary resources to perform the tasks expected of it. The Federation is thus correct in holding that Mr. Kaldor seems to lay much greater emphasis on the use of taxation in redistribution of wealth and income than on its impact on saving and investment.

The brochure, besides making a detailed analysis of the various proposals of Mr. Kaldor based on the experience of many Western countries also deals with other problems like deficit financing, tax evasion and so on which merit detailed study. It will, however, be worth while to underline the main conclusions drawn by the Federation's study. These are: a developing economy needs all the encouragement and assistance that a good fiscal system can give; the immediate task is to encourage capital formation so as to fulfil the targets set for the second Plan and hence a judiciously balanced tax structure, which provides incentives to save and invest, should form an integral part of economic policy; the four new taxes that Mr. Kaldor proposes will tend to nullify the advantage resulting from a reduction in income-tax which he has suggested, for, additional tax burden at this stage of economic development can have but one effect, viz., to check the expansive forces in the private sector which

alone can give the required dynamism to the country's economic system.

BRITISH BANK RATE REDUCED

THE REDUCTION in the British Bank rate from 5½ per cent to 5 per cent, announced on February 7 last, need not be taken as indicating a shift in policy. The rate of 5½ per cent which prevailed for about a year represented a near-crisis level. Already, opinion was being voiced that there was no need for the continuance of such a rigorous measure of monetary discipline after the initial need for a severe squeeze on credit had lost its edge. The reduction which was effected last week was not unexpected. This lowering of the rate is regarded as a technical adjustment rather than as a deliberate change in policy. The Bank Rate of 5½ per cent had gone out of touch in recent weeks with short-term money rates which had declined steadily. The strain which the Suez crisis put on the British economy made it clear that the danger of inadequate expenditure on capital investment and of a high rate of private consumption was certainly not of the same magnitude as a year before. But most important of all, the decisive action taken in strengthening the gold and dollar reserves by the borrowing from the IMF and the waiver of interest on the American and Canadian loans brought about quick improvement in Britain's payments position which was further fortified by the arrangement for credit from the Export-Import Bank. These factors which lent strength to the sterling reduced the risk in lowering the Bank Rate.

Mr. Thorneycroft has emphasized that the change in the Bank Rate does not in the least lessen the urgency of restraining public as well as private spending and of stepping up investment and exports. So far as India is concerned, the change in the British Bank Rate is not such as will produce any marked direct result. The rate in Britain is still high as compared to the rate in this country. The pressure of exchange banks for short-term money in the Indian market is unlikely to be reduced considerably. But the modification of credit policy in Britain is bound to give impetus to economic activity in that country, particularly to its export industries. This is to India's benefit. British exporters have intensified the policy of granting medium-term credit to importers of capital equipment. This export promotion technique which comes at an appropriate time for this country is not likely to be slackened on account of the recent relaxation in monetary policy in Britain.

TREND OF CLOTH PRICES

THE HEAVY accumulation of cloth stocks with mills, the tight money conditions (notwithstanding the recent relaxation on bank advances against textiles,) and consumer resistance, all these together, seem to explain the quiet, if not declining, trend in textile prices lately. As a matter of fact, in as many as 38 brands of mill cloth, with a trade-mark, consisting as many as 33 of the medium variety, there was a decrease in prices even below the levels that prevailed in December 1955. (It may be recalled here that Mr. T. T. Krishnamachari has promised to do away with the additional increase in excise duty and other burdens on the industry if and when cloth prices go below the December-1955 level). It must, however, be added that in quite as many cases, the mid-January 1957 prices are still a quarter to one anna (and in only some stray cases, more than four annas) higher than the levels prevailing in December 1955. In regard to the prices which are higher than in December 1955 also, it is pertinent to point out that it is the medium variety that is mostly involved. Only slight increases in prices are recorded in respect of about a dozen different trade marks of cloth of the coarse variety.

At a time when the piecegoods market has had to pass through an uneventful and dull period for nearly half the buying season, it is imperative that the authorities realise that further reliefs, in the line of relaxation on bank advances against textiles, should be granted immediately to help give life to an otherwise lethargic piecegoods market. At this time of the year, the market ought to be lively and at the top of its activity particularly because of the paucity of stocks frequently reported from the consuming centres. In actual fact, however, the piecegoods market is anything but lively, a state of affairs for which the Government has itself to thank!

BOMBAY TRANSPORT

THE BOMBAY Electric Supply and Transport Undertaking, which plays a vital role in the day-to-day life of that premier city of India, witnessed yet another year of steady progress and expansion during 1955-56. This was in spite of a series of civil disturbances and strikes during the period caused by the commotion over States' reorganisation. The total income at Rs. 807.07 lakhs was up by Rs. 66.97 lakhs compared to the preceding year, though the overall surplus at Rs. 60.30 lakhs shows a drop of Rs. 1.15 lakhs from the 1954-55 figure. There was an all-round increase in the number of buses, carrying capacity, passengers carried and the route mileage. The strength of the fleet of 586 in March 1955 was increased by 45 and correspondingly the carrying capacity went up from 32,169 to 34,638 passengers. The increase in the total number of passengers carried (323.57 millions) was of the order of 11 per cent. The route mileage was up at 340.08 at the end of the year under review as compared to 333.70 in the preceding year. BEST maintained its tradition of providing more transport capacity in a crucial area where the pressure of traffic is increasing progressively. During the year, bus fares were so revised as to give widespread benefit to the various categories of passengers including the long-distance, the short-distance and the suburban passengers.

In regard to the tramways, the flat fare of one anna for any distance, which was unremunerative and called for revision, was abolished and graded fares were introduced. The abandonment of the experiment need not come as a surprise at all. The new measures, however, failed to yield the desired result of reducing the recurring losses in this section. Partly because of the disturbances, but mainly due to the rationalisation to bus fares, which attracted more traffic to that section, there was no substantial rise in the tram earnings. To an extent, the damage caused to some sections of the tramway was responsible for accelerating the decision to abolish a few services. This had, however, the adverse consequence of creating some unemployment, though BEST was able to re-absorb a large percentage in its other departments. In course of time, Bombay may have an underground railway system if its feasibility is technically enforced. The very preliminary steps of investigation and inviting economic and technical advice in this connection have already been taken.

AVOIDANCE OF DOUBLE TAXATION ON INCOME

The Indo-Ceylon agreement on the avoidance of double taxation of income between the two countries has been notified in an Extraordinary issue of the 'Gazette of India' published on February 8 last. With this notification all legal formalities for giving the agreement the force of law in India and Ceylon are complete. Talks between official delegations of the two countries took place in India on January 1956. The agreement, which was signed in Colombo in September 1956, was approved by both the Houses of the Ceylon Parliament. The Ceylon Government have notified the agreement in the 'Ceylon Government Gazette' of January 18, 1957. Assessments for the years ending March 31, 1953 and for subsequent years will be governed by this new agreement. For the two previous assessment years viz. the years ending on March 31, 1952 and March 31, 1951, relief will be available in accordance with the Income-tax (Double Taxation Relief) Rules, 1942, which held the field till January 26, 1950.

A Letter to the Editor

LANCASHIRE'S CASE FOR TEXTILE IMPORT RESTRICTION

Sir,

I have read "Fairplay's" letter dated January 22, 1957 addressed to the Editor regarding "Lancashire's case for agreed restrictions of imports". I am glad that he at least concedes to me the freedom to express my views, although he charges me with having made "entirely inaccurate" statements. I would have been very glad if he had specifically pointed to the inaccurate statements in my article. However, from the so-called facts (which are five in number) that he has adduced, I am led to believe that these are rather his views than established facts, as I shall presently show.

To take his first point, namely, that Lancashire does not allege dumping against India. I am afraid that "Fairplay" has not cared carefully to study this controversy from the beginning. Let me, therefore, quote for his edification the wording that appears in the "Manchester Guardian" of May 4 last. In putting forward before the Labour Party their view of how imports ought to be stopped through a centralised buying commission, the United Textile Factory Workers' Association, Manchester, used these words: "discriminating against countries practising 'unfair methods of competition' a definition (of countries) which would undoubtedly include India". I need not add that the term "unfair methods of competition" is a euphemistic expression for dumping.

The question of advantage to Indian mills accruing from supplies of low-priced cotton has been discussed thredbare, again, in the "Manchester Guardian" in the correspondence that passed between a member of the industrial staff of that paper and Mr. T. Swaminathan, Commercial Minister at the Indian High Commission in London last year. Further, in the course of the debate in the House of Commons early in March last, Mr Peter Thorneycroft, then President of the Board of Trade, categorically said "that the argument that Indian cotton exports are getting a subsidy could not be substantiated." He said: "India is not wrong in selling her own raw materials to domestic industry below the world prices. Incidentally, in this case, it is a world price sustained by American policy."

Then, again, it is a truism that the extent of the advantage of low-priced cotton supplies to Indian mills varies from time to time, because this follows the course of world cotton market, as Mr. Thornycroft has stated above. Should India be blamed for this?

"Fairplay" says that it is totally untrue that Lancashire only imports coarse and medium cloth for re-export after processing. Let me quote from the "Case for Protective Action by the Government" submitted to the President of the Board of Trade last year by the Cotton Board and supported by all the main sectional interests in the UK cotton industry—the so-called "Grey Book." It says: "The principal incursion has taken place in grey cloth and there are minor incursions in coloured woven cloth yarn and made-up goods...." In another place, the same document speaks of "the advantage of 2½d to 3d per yard on medium cloths" to India.

"Fairplay" next goes on to argue that not less than 60 per cent of textile imports are retained for sale for home consumption. I would like to know on what basis these categorical assertions have been made by "Fairplay". I have heard that there was a random sample survey by some Lancashire interests which would appear to have indicated that out of the total exports from India anywhere between 40 and 60 per cent is retained for sale on the UK market. It is admittedly very difficult to arrive at a decision on the basis of any random sample survey by an interested party. As far as I have been able to follow from papers here, the debate in the House of Commons did not result in any official figure being placed before the House in confirmation of this statement of "Fairplay".

"Fairplay" also asserts that it is "totally untrue" to say that finishing and importing interests have not supported Lancashire's case. I would refer him to the distinguished editors of leading British papers who were recently in India on whose authority it is that I have made this statement. The mere presence of one or two representatives on the UK Textile Delegation which recently visited India does not disprove my statement: nor does the fact that they were among the unanimous signatories of the Grey Book. Here, again, I must repeat that these were interested parties.

"Fairplay" contends that it is not correct to say that, if Indian imports to UK are restricted, these would probably be replaced by Japanese imports, as I have suggested. It is true that Japanese imports are limited by a trade treaty. This is no doubt the current position. But if "Fairplay" had taken the trouble to follow the Anglo-Japanese talks of last October in London, he would have noted the dilemma of Britain in the context of the US and other countries taking the view that Commonwealth and British colonies must open up markets to Japanese goods to a greater extent than they have already done. A report in "The Hindu" relating to these talks, it is interesting to note, stated that "Lancashire's textile manufacturers are deeply worried about the Japanese competition and the Government would obviously have to watch its steps, but any suggestion that Japan should be admitted to the GATT on condition that she agreed privately to curtail exports to British colonies is likely to be rejected by Japan". I suppose what relates here to British colonies would also apply to Britain herslef. This apart, if it is not Japan, India's imports are sure to be replaced by imports from Hong Kong or Pakistan. As a matter of fact, the "Economist", London, on October 27, 1956, observed that, even after the Indian industry might be persuaded to agree to an unofficial ceiling, that would still leave the door open to a possible increase in imports from Hong Kong and, in time also, from Pakistan, which has a young modern industry intent on expansion and with costs perhaps below India's. By advocating unofficial measures of protection, the British Government is setting Lancashire to slime the slippery slope."

I am glad to find that, at least on one point," Fairplay" has partially accepted my statement. But though he admits that Lancashire did experience a revival of trade at the end of 1956, he goes on to argue that this was but a temporary upsurge caused by the situation in the Middle East and by a rise in the American raw cotton market. He further complains that orders have again dropped off. This is not peculiar to Lancashire. The trade all over the world is subject to ups and downs. However, I do not know why "Fairplay" has omitted to mention that there has been quite a relaxation in the restrictions on imports of British textiles in Australia which is Lancashire's largest single outlet for cotton, yarn and cloth. In his latest despatch to "Commerce", its Manchester Special correspondent refers to this and says that "manufacturers' quotas of textiles are being increased by 60 per cent over the

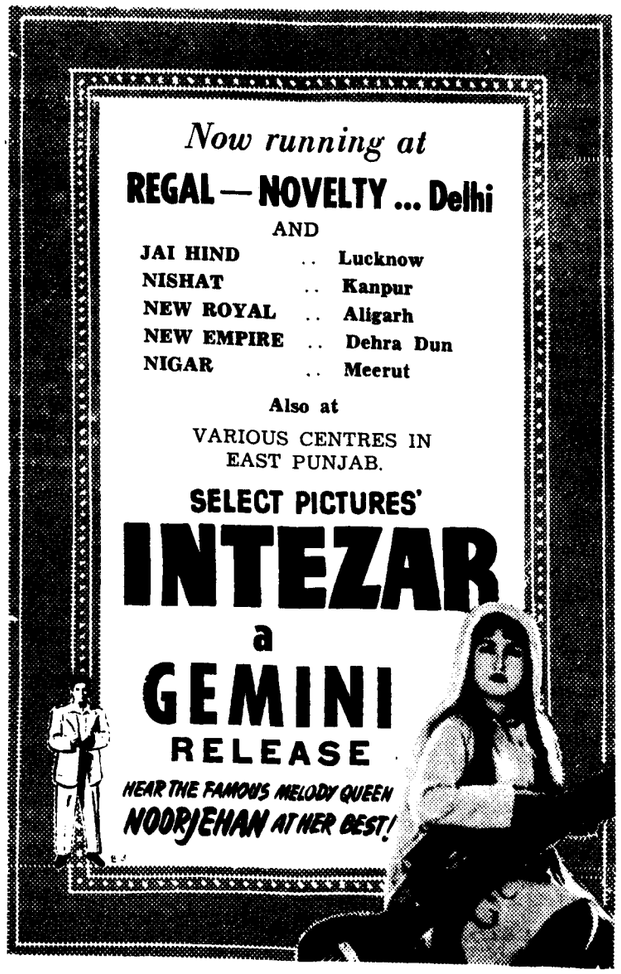
allocations of July last year and other traders' textile quotas are being increased by 20 per cent".

Before I conclude, may I refer to the reaction in Hong Kong to the proposals of the UK Textile Delegation. It is now well known that the Delegation's visit to Hong Kong proved abortive and that Hong Kong producers turned down the Delegation's proposals. It is interesting to note that Hong Kong textile manufacturers stressed the need to employ the Island's growing population, a trend which, in all conscience, is much more of a problem to us in India. As I have indicated in my previous article on the subject, Hong Kong spokesmen also have made the point that imports of grey cloth are used by Lancashire's finishing trade to enable her to compete with Japan in the cheaper export markets.

Finally, I cannot but add that India was at least accommodating to the extent that she agreed to a ceiling, although this was made subject to the condition that a similar formula must be made applicable by the UK to the other Commonwealth countries, particularly to Hong Kong and Pakistan. Now that Hong Kong has refused to accept any ceilings, it is a moot point whether the textile interests in India will be prepared to accept the plan for a voluntary imposition of a ceiling on our textile exports to Lancashire. It also remains to be seen whether, frustrated in their attempts thus, the Lancashire interests will succeed in prevailing upon the British Government to impose protective customs duties or quantitative restrictions upon cloth imports from India and other Commonwealth countries. This seems to be a remote possibility in the context of the replies that both Mr. Low, Minister of State and Mr. Thorneycroft, gave at the debate in the House of Commons on a Labour opposition motion regarding Lancashire cotton industry in March last.

Yours faithfully,

CROESUS



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The working results of the Company for the year ended March, 1956, are highly satisfactory. While, for the year under review, provisions for depreciation, taxation and allocations to several reserves, are either much higher or are made when there were none for the previous year, the net profit has shot up to Rs. 77,79,942 from the nominal Rs. 3,303 of the preceding year. Adding the carry forward of Rs. 50,350, the amount totals Rs. 78,30,292. From this, Rs. 18 lakhs has been appropriated to the General Reserve and Rs. 59,00,313 to Dividend Reserve, leaving Rs. 1,29,979. The dividends recommended by the Directors to be paid from the dividend reserve are: (i) Arrears of dividend on cumulative preference shares—Rs. 34,95,833; a 5 per cent per annum dividend on preference shares, for the year,—Rs. 10 lakhs; and a 6 per cent per annum maiden dividend on ordinary shares — Rs. 25,84,636. making a total of Rs. 59,00,313. (Dividend on preference shares is subject to deduction of income-tax.)

It will be recalled that the prices to be paid to the Company by the Railway Board for locomotives and boilers were in dispute which has now been settled as the Government has accepted the Tariff Commission's recommendations on the subject. The high profits shown for the year, therefore, include the profit earned by the Company in respect of boilers for 26 months and of locomotives for 21 months. This has largely enabled the Directors to pay off all arrears of dividend as well as the current dividend on ordinary shares.

There was a marked increase in the activities of the Company during the year under review as evidenced by the steep rise in the turnover of the year to nearly three times that of the previous year. The target output of 50 complete locomotives was met during the year as against 47 in the preceding year. The indigenous content of the units was substantially higher than the 75 per cent as stipulated by the Railway Board. The attention being paid to increasing efficiency and reducing costs, has borne fruit. Further improvement in this direction as well as increased output, as envisaged by the Company, are expected to reduce costs still further. In the Automobile Division, the manufacture of Tata-Mercedes-Benz diesel truck and lens chassis has made substantial progress. A total of 3,093 units were produced as against 443 in the previous year. The manufacturing programme of the division was decided to be doubled during the year from 3,000 to 6,000 units annually, as approved by the Government of India. In view of this expansion, the layout and equipment of the Alloy Iron Foundry was revised. Its implementation has, however, been delayed, but the Directors hope to bring the project into operation in 1958.

THE BRITANNIA ENGINEERING CO., LTD.

The trading results of the works department of the Company for the year ended December, 1955, show a profit amounting to Rs. 18,24,127, which has registered a substantial increase over the previous year's figure of Rs. 11,90,036. In the Agency department, however, the profit has slumped to Rs. 13,294, being less than 50 per cent of Rs. 30,788 for 1954. After charging interest, debenture interest, commissions, depreciation and providing for taxation payable on the year's profits and taking into account the carry-forward from 1954, there remains at credit a balance of Rs. 9,45,544.

In view of the various modernization and expansion schemes which the Company has undertaken, and in order also to provide for possible bad debts, the Directors have set aside a total sum of Rs. 6,67,365 comprising Rs. 4 lakhs as machinery reserve, Rs. 1,67,365 as depreciation reserve and Rs. 1 lakh as reserve for doubtful debts. That leaves a balance of Rs. 2,78,179. From this balance, the Directors have recommended payment of a dividend at the rate of 15 per cent per annum (or Rs. 1-8 per share) on the 1 lakh ordinary shares. The dividend absorbs Rs. 1.50 lakhs, leaving Rs. 1,28,179 to be carried forward.

KOTHARI TEXTILES LTD.

The result of the Company's working for the year ended June, 1956, after providing a sum of Rs. 5,99,160 for depreciation, is a profit of Rs. 6,24,560. The carry-forward of Rs. 29,382 increases the total to Rs. 6,53,942. The profit for the year is somewhat less, which the Directors attribute to a 'go-slow' policy and strikes of the labourers. Out of this profit, the Directors have recommended to pay a 6 per cent per annum dividend on the preference shares for the period under review, which absorbs Rs. 72,000. Another Rs. 2.40 lakhs is absorbed by the dividend of 10 per cent per annum on ordinary shares. An amount of Rs. 3 lakhs is transferred to the general reserve, which leaves a balance of Rs. 41,942 to be carried forward to the next year. (The dividend has been recommended on old shares. On the Company's recent issue of Rs. 6 lakhs preference shares and Rs. 18 lakhs ordinary shares, the dividend is not payable for the period under review).

The total installed capacity of the Mills is 300 automatic looms and 43,000 spindles and doubling spindles, of this, almost all the spindles are working while the 40 looms that were not working were expected to go into production early. The Directors hope that the projected new mill to be installed in Coimbatore, for which 24,000 spindles have been ordered, would start production towards the end of the current year.

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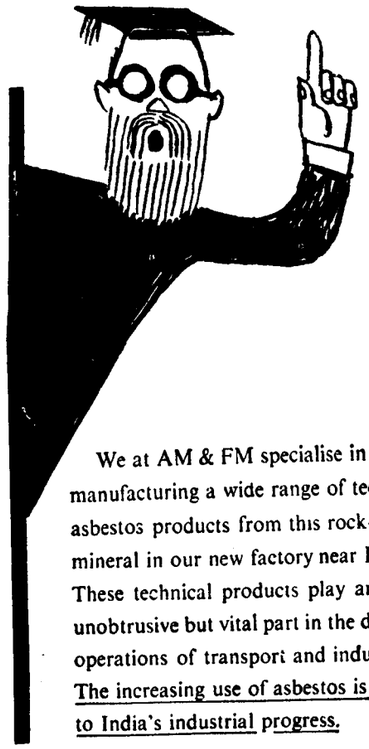
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COMMODITY NEWS AND NOTES

DEPOSITS OF IRON ORE IN ANDHRA

Two large deposits of iron ore containing an estimated reserve of nearly 389 million tons of ore have been located in Andhra State by the Geological Survey of India. The deposits, which are available in the Guntur and Nellore districts, will it is stated, last some centuries. Of the total deposits, nearly 296 million tons contain 33 to 37 per cent of total iron in the rock. The remaining are of a lower grade with only 25 per cent content. The Geological Survey points out that some more deposits may be revealed if further mapping of the area is carried out.

SALT PRODUCTION

Attainment of self-sufficiency in salt and encouragement of export of this commodity to foreign countries have been the main objectives of the policy of the Government of India in regard to salt. India attained self-sufficiency in salt in 1951 when the production was 744 lakh maunds. The peak production of 861 lakh maunds was achieved in 1953. Although the production in 1954 and 1955 declined to 739 lakh maunds and 811 lakh maunds respectively, the production in 1956 increased to 889 lakh maunds which is the highest indigenous production so far achieved. The target of salt production fixed for the second Five-Year Plan period is 1,000 lakh maunds per annum. As there is surplus production of salt in the country its export to foreign countries is encouraged. The main countries of export are Japan, Indonesia, Nepal, Malaya, Maldives etc.

EXPORT OF COTTON

The Government of India have decided to release for export a further quota of 2 lakhs bales of Indian cotton. Out of these 1,50,000 bales will be of all varieties of cotton of staple length ¾ inches and below, excepting Bengal Deshi. This is the second export quota since December 1 last, when two lakh bales of Indian cotton were released for export. It has been officially stated that out of the two lakh bales released for export earlier, 70,000 bales had been shipped out of the country and the entire quota has been sold abroad. Due to the Suez crisis most of the Indian cotton has been sold to Eastern countries like China, Japan and Hongkong.

IMPORT OF AMERICAN COTTON

No further import of American cotton under the Indo-Burma-US tripartite agreement would be allowed into India till new textile exports to Burma under the agreement could be made, it is learnt. The monetary ceiling equivalent to the value of Indian textiles exported to Burma under the agreement was reached on February 4. The Government of India have licensed the import of about 16,500 bales of American cotton out of 25,000 bales earmarked under the agreement. With the Government's announcement of January 30 last, that monetary ceiling for the import of American cotton under P.L. 480 had been reached, import of American cotton into India could now be done only under the Indo-Burma-US tripartite agreement. But under this agreement also, import of American cotton could take place only after further exports of Indian textiles to Burma.

INDIA TO BUY JAPANESE RAYON

The Indian art silk industry has entered into an agreement with its counterpart in Japan to make a bulk purchase of more than three million lbs. of rayon yarn from Japan at prices 10 per cent cheaper than the ruling prices in Europe, India's main source of supply. The bulk deal worth Rs. 85 lakhs is the biggest contract to be obtained by Japan from India and marks Japan's re-entry into the Indian market in post-war years to supply rayon yarn at competitive prices. At present European countries, mainly Italy, are the principal suppliers of art silk yarn to India.

COFFEE SALES FOR EXPORTS

The Coffee Board sold 591 tons of coffee for export on January 22 of the 1956-57 crop, according to a Press Note issued by the Board. The quantity consisted of 480 tons of Plantation "A", 66 tons of Plantation "B" and 45 tons of Plantation Triage. The average prices secured per cwt. were Rs. 662-14, Rs. 352-12 and Rs. 312-9 respectively. The Board sold on the same day 279 tons of coffee out of the 1955-56 crop for export. According to the Board's latest statement of pool stocks and sales, it received up to January 19, 1957, 34,019 tons of coffee against the 1955-56 crop and sold up to the same date 21,351 tons in pool sales, local sales and allotments. The quantity sold for export up to January 15 this year amounted to 7,475 tons.

EXPORT OF SUGAR

Indian sugar mills have been able to sell about 15,000 tons of refined sugar for export out of a quota of 50,000 tons recently released for the purpose by the Government. Most of the business is reported to have been done through a London brokerage firm for Basra on a c & f basis at a price ranging between £62 and £66 per ton. A small quantity has also been sold for East Africa and Singapore. The total offtake of sugar from factories during the first two months came to 316,000 tons against 243,000 tons last season. The stock of indigenous sugar with the mills on December 31 was 658,000 against 526,000 tons on the same date last season.

RECORD WORLD OIL OUTPUT IN 1956

World oil output last year totalled 835 million tons, the highest figure yet and an 8½ per cent advance on 1955. In both Venezuela and Canada, record rises in output were achieved. Canadian production went up by 30.8 per cent—the highest increase in the world—to make Canada the seventh largest producer outside Eastern Europe and China. Production in the US accounted for 42 per cent of the world total at 352 million tons. Total output in the Middle East was 172 million tons, five times the 1946 level. Petroleum Press Service points out that the deficiency in Middle East supplies has given impetus to the new expansion in Venezuelan output. 1956 production of 129 million tons was 14.8 per cent higher than in 1955.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952 53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
July 1956 ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August ,, c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514 2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413 9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
Week Ending										
8-12-1956 ..	419.1	510.8	418.6	386.1	591.7	429.4	89.8	100.1	80.9	118.7
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	80.9	117.0
22-12-1956 ..	416.7	522.3	416.3	388·6	590.6	430.7	89.7	100.0	80.5	115.2
29-12-1956 ..	392.0	520.2	415.8	387·1	589.3	421.9	89.7	100.0	80 2	114.5
5-1-1957 ..	382.4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80.3	113.4
12-1-1957 ..	389.0	522.0	413.0	386.1	594.0	421.0	89.7	100.0	80.5	112.6
19-1-1957 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7
26-1-1957 ..	399·7	533·7	413.1	386.2	589.2	425.7	89.8	99.4	80.5	115.1

Revised*

* Average of weeks.

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Delhi†	Bengal	Calcutta	U. P.	Kanpur	Central Provinces	Nagpur	Jubbulpur†	Madras	Madras June 1936=100	E. P.	Ludhiana†	Bihar	Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	—	—	105	104	—	106·	—	—	—	—	—	134
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	139
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
1955 December	316	332	230	140	329	393	375	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	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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	—	—	—	—	—	—	—	—	—

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	8-2-1957			1-2-1957			25-1-1957			18-1-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	108-12	107-14	108- 4	108- 6	107- 1	107-13	108-15	107- 1	107-15	107-12	105-11	106-15
Silver (per 100 fine tolas)	187- 6	184- 8	185-14	185-11	183- 8	184-15	185- 5	181-13	183-13	182- 2	179- 7	181- 2

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	
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
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,2
	(5,58)	(—)	(5,58)					(90)		(5,
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152
1950-51* ..	1,163.21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	468,47	1,180,4
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133.95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	1,516,70	13,36	1,530,06	40,02	681,45	721,47	47.15	104,89	703,91	1,530,5
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	1,492,26	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	44.43	114,06	702,66	1,46
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,45
October ,, ..	1,429.31	21,34	1,450 65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,6
November ,, ..	1 443 67	16,72	1 460,39	117,76	460.22	577,98	39,58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117.76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
4-1-1957 ..	1,481,52	7 55	1,489,08	117,76	447,30	565,06	37,9	123,76	800,25	1,489,00
11-1-1957 ..	1,495,21	13,16	1,508,38	117,76	447,30	565,06	37.6	123,06	820,25	1,508,38
18 1-1957 ..	1,490,09	17,66	1,508,55	117,76	442,33	560,09	37.1	123,23	825,22	1,508,55
25-1-1957 ..	1,485,52	23,56	1,509,08	117,76	427,43	545,19	36.9	123,77	840,13	1,509,08
1-2-1957 ..	1,494.02	14.55	1,508,57	117,76	412,52	530,28	..	123.26	855 03	1,508,57

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* ..	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	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1·71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3.35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	8,14	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	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10 27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56.43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66 46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5.89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5.07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6 44	93,47	60,90	19,0
Week Enbing														
4-1-1957 ..	54,34	13,93	58,34	13,42	130,02	136,42	276,45	7,76	2,99	81,07	7,75	99,96	62,53	14,39
11-1-1957 ..	54,00	4.94	56,25	13,11	128,30	136,44	274,76	13,36	1,97	80,30	8,00	106,60	44,48	14,4
18 1-1957 ..	50,71	7,03	52,98	13,29	124,01	141,39	275,40	17,86	91	81,24	8,42	102,61	49,70	14,7
25-1-1957 ..	51,46	13,33	51,76	12,68	129,23	142,64	281,87	23,78	1,11	83,18	7,48	102,19	49,62	14,52
1-2-1957 ..	52,35	16,08	54,44	13,40	136,87	143,87	290,75	14,74	1,42	93,84	6,25	108,46	51,43	14.61

Note: Figures in brackets relate to Pakistan. **Inclu des Rs. 5 crores each on account of capital paid-u and Reserve Funnd. † Includes National Agricultural Credit (Long-term Operation) Fund of Rs. 10 cror from Feb. 3, 1956 and of Rs. 15 crores from July 6, 1956 and National Agricultural Credit (Stabilisation) Fu 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)
[illegible]										
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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
1956 ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150,94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June ,, ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	630,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
28-12-1956 ..	654,19	459,50	1,101,75	38,33	52,66	8.26	622,91	165,55†	71.56	364,75
4-1-1957 ..	646,80	457,79	1,095,32	37,52	48,26	7.83	635,90	165,80†	73.19	364,46
11-1-1957 ..	653,16	456,84	1,103,36	35,21	50,72	7.79	645,46	162,97†	73.27	362,42
18-1-1957 ..	666,36	458,91	1,116,75	36,48	48.32	7.59	649,67	166,20†	73.06	362,12
25-1-1957 ..	670,83	462,30	1,123,77	33,06	50,05	7.40	657,07	168,96†	73.51	361,64

* 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 variatione 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	+263,69
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10,54	—26,79*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

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

Source: Monthly Bulletin of Reserve Bank.

TRANSPORT STATISTICS

Progress of Shipping Tonnage 1st January, 1947 to the 31st March, 1956

Year	Tonnage at the beginning of the year		Tonnage added during the year		Tonnage sold, scrapped or lost during the year		Net addition of tonnage during the year	
	No.	Tons	No.	Tons	No.	Tons	No.	Tons
Pre-Plan Period								
1946 . .	42	98,286	18	90,940	..	..	18	90,940
1947 . .	60	189,226	14	65,297	2	5,262	12	60,035
1948 . .	72	249,261	17	86,242	5	3,013	12	83,229
1949 . .	84	332,490	14	42,065	8	9,923	6	32,142
1950 . .	90	364,632	6	27,864	4	25,850	2	2,014
1-1-1951 to 31-3-1951 .	92	366,646	6	20,640	1	1,057	5	19,583
1-4-1951 .	97	386,229	66	333,048	20	45,105	55	287,943
Plan Period								
1-4-1951 to 31-3-52 .	97	386,295	7	13,038	4	15,295	3	2,257
1-4-1952 to 31-3-1953 .	100	384,038	13	47,384	2	8,564	11	38,820
1-4-1953 to 31-3-1954 .	111	422,858	11	30,466	4	17,363	7	13,103
1-4-1954 to 31-3-1955 .	118	435,961	10	40,628	13	21,232	3	19,396
1-4-1955 to 31-3-1956 .	115	455,357	15	69,164	10	21,618	5	47,546
1-4-1956 .	120	502,903	56	200,680	33	84,072	23	116,608

AUTOMOBILES AND BICYCLES

Production and Stocks (Monthly Average)

Year	Automobiles										Bicycles		Spare Parts
						Trucks		Passenger Buses					
	Installed Capacity	Total	Cars	Jeeps & landrovers	Station Wagons Utilities Health Vans	Petrol	Diesel	Petrol	Diesel		Installed Capacity	Production	(Rs. thousands)
1949 . . .	6,521	1,817	556								7,917	5,369	149.7
1950 . . .	,,	1,217	549								10,000	8,596	537.7
1951 . . .	,,	1,856	1,032								,,	9,523	790.7
1952 . . .	5,892	1,274	579								,,	16,413	667.3
1953 . . .	,,	1,160	411								34,792	22,014	849.5
1954 . . .	4,416	1,205	453								36,458	31,030	1,090.0
1955 . . .	4,333	1,924	791	278	64	369	169	37	216		41,000	40,931	1,376.4
1956													
January . .	3,600	2,302	849	405	43	294	414	8	289		52,300	30,150	1,578.1
February .	,,	2,625	965	541	64	338	526	58	133		,,	43,126	2,033.8
March . .	,,	2,618	1,096	380	194	390	252	16	290		,,	46,851	1,953.1
April . .	,,	2,206	878	254	68	381	419	12	194		,,	51,724	1,818.5
May . . .	,,	2,491	1,029	283	12	332	426	32	377		,,	56,404	1,958.8
June . . .	,,	2,791	1,245	348	3	321	547	12	315		,,	58,573	2,028.0
July . . .	,,	2,876	1,422	182	94	208	624	24	322		,,	56,470	1,940.4
August . .	,,	2,600	1,085	264	71	331	575	21	253		,,	54,964	2,035.6
September .	,,	3,282	1,353	353	36	502	737	23	278		,,	..	..

Source: Transport, January 1957.

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An Encouraging Assurance

MR. JOHN B. HOLLISTER'S Press conference here in the capital city on Wednesday this week will rank as a significant event on the economic front in the recent past. The Director of the International Co-operation Administration made a frank clarification of the attitude of his Government to India's need of foreign economic aid in the execution of the second Five-Year Plan; but of no less importance was his reference to the possible role of American private enterprise in this task. His personal discussions with the Prime Minister, the Finance Minister and the members of the Planning Commission were doubtless of value in appreciating the effort which the country is ready to make in the achievement of the Plan as well as its genuine requirements of external co-operation. The sum total of his reactions to these talks and to what he personally saw in his short tour was expressed in his assurance at the Press conference. He announced that America's assistance to the execution of the Plan would be "substantial". This assurance coming from an authoritative spokesman of a country which possesses the greatest potential to offer financial and technical assistance is really heartening.

India's major problem in the implementation of the Plan and the one which is foremost in the mind of the Government at the present time is that of procuring adequate foreign exchange. The sharp adverse turn which her balance of payments took in the first half of the current financial year has brought home to the Government the urgency of taking prompt action to negotiate suitable arrangements to obtain the requisite amount of foreign currency. The World Bank's team of consultants is here to examine the requirements of the railways. About 45 per cent of the gap of Rs. 1,100 crores anticipated in the original estimate will be met by withdrawals from the sterling balances, unutilised funds of foreign assistance made available in the first Plan. World Bank's loans for projects in the second Plan actually sanctioned so far, net loans for the steel plants after making allowance for repayment due before March 1961, and the like. This provision will be met partly by the element of

increase in import prices which is not assessed so far but is likely to account for the bulk of the additional outlay of Rs. 500 crores necessitated by rising costs. The resultant shortage cannot be expected to be met on any reasonable hypothesis from any one source and Mr. Hollister confirmed this informed view when he stated that not all the foreign exchange required can be expected from America.

America's fund of goodwill and her readiness to offer assistance have been drawn upon in a good measure since Independence. Her contribution accounted for four-fifths of the external finance of the order of Rs. 300 crores made available for the first Five-Year Plan. This is only part of the picture. Aggregate American aid, channelled through Government and private sources in the last nine years, has touched the level of Rs. 475 crores. There can be little doubt now that India can look forward to tapping this source with greater effect. The ICA Chief who has been charged with responsibility to administer a programme of two billion dollars worth of assistance to sixty countries has some elbow room in making the allocations. It is by no means wishful to expect a fair share of the programme, given tactful direction of policy and approach on the part of the Government here.

Hitherto, India's effort was concentrated mainly on obtaining assistance on a government-to-government basis. The need for government credit to finance the Plan continues. But in the final analysis, private enterprise can make a massive contribution by export of capital and technical skills. India provides incentives for the flow of foreign capital and assuredly her great assets are her political stability, development potential, and leadership at the top in the public as well as private sectors for proper direction of programmes of expansion. Her post-freedom record clearly demonstrates that, far from treating foreign private capital with discrimination, she has scrupulously followed a policy of equal treatment, while in appropriate cases like the oil refineries she has offered reasonable safeguards consistent with the element of risk. She has all along honoured her pledges in policy pronouncements, especially those relating to remittances or repatriation. Foreign private capital, and American private capital in particular, is basically interested in long-term investment holding prospect of reasonable return. It does not hesitate to plough back a part of profits for further development. It is to this fruitful source that India's future appeal of incentives ought to be directed.

The stage has now definitely arrived when passive declarations of policy on foreign capital cannot serve the purpose of attracting it on the scale required. Our external publicity in this sphere needs to be put on a more rationalised basis than before. It is true that the task of publicity has been rendered difficult by impatient harping on the slogan of the socialist pattern of society. Precisely for this reason leadership in the political field must exercise restraint and moderation. The integral place which has been assigned to private enterprise and the recent refreshing pronouncements in this regard by the Prime Minister and the Finance Minister should serve to dispel misunderstanding. There is some appreciation abroad of the situation under which the State is participating in industrial development. Collaboration of foreign private enterprise in State-sponsored projects has helped to clarify the pragmatic approach of the Government to the question of accelerated development.

The genuine place accorded to private enterprise in the future set-up deserves to be explained in the context of the Industrial Policy Statement of April last. The three-fold classification of industries for operation by the State or private enterprise is by no means exclusive. It is not only overlapping but it leaves by design room for participation by private enterprise even in several industries specified as the State's responsibility. This flexibility has been motivated by considerations of obtaining resources in investment and technical skills. A clearer exposition of the Government's policy should go a long way in dispelling such doubts as may be still lingering in the mind of the foreign investor.

Coal Without Policy

ONCE again the coal industry has been foisted with the unenviable privilege of facing the spotlight. This time it is the decision of the Labour Appellate Tribunal that has brought it to the stage. The summary of the decision which was published at the end of the last month gave at best a very broad idea of the fresh boost to wages which the appellate authority has declared. A clearer picture now emerges from the full text of the decision. The predicament in which industry was placed for a short span between Government's acceptance of the Award of the Original Tribunal and the grant of increase in prices of coal in the middle of last year need not be recalled here. This week a deputation of colliery owners' associations approached the Production Ministry to press its claim for a revision of coal prices. It is a foregone conclusion that an increase in prices will be granted to meet the cost of higher wages. This will be the second increase for this specific purpose in the course of one year. What must cause concern, however, is that the more vital question of levying a surcharge on coal prices for development is being ignored when it is clear that this method will have to be accepted as one of the ways to raise resources.

The increase in wages granted by the Appellate Tribunal comes at a time when wage restraint ought to be accepted as one of the imperatives in erecting protective barriers against inflation. There can be no two opinions that a sound structure of wages should be provided for coal miners inasmuch as the strategic importance of the industry as the major source of supply of fuel in the economy and the strenuous nature of work involved make it obligatory that conditions of contentment should be created for a vigorous drive for production. The original Award had fulfilled this objective. A reasonable wage, apart from the difficulty of defining its relative character, should not be withheld over the entire range of industries provided the eceonomy can afford it. The danger inherent in a discrimination in granting it to some industries and not extending it to others is plain. Any course of action which would disturb peace in the industrial sector and feed the forces of inflation would be unfortunate, more so in view of the prospect during the second Plan period. What was the approach of the Appellate Tribunal to the case of coal miners? It is best explained in its own words: "We are giving what we consider to be a reasonable wage in the existing economic conditions of our country..... We appreciate that we have to look after the interests not only of the employers and of labour but also of the public in an adjudication of this character. While we are the custodians of such public interest we are to the same extent the inheritors of the public conscience which cannot be satisfied unless the persons who toil and moil for the community's good are given at least a modest livelihood. That is but a first step in a socialist pattern of society". He would be a bold critic who would assert that the original Award failed to satisfy the public conscience.

The Appellate Tribunal has raised the total emoluments of all the categories of workers by introducing three major changes in the original Award. The Lower Tribunal's scheme of minimum wages which was based on the integration of three components—the basic wage, dearness allowance and the statutory bonus—has been substantially altered by the separation of the last component. One of the fundamental objects of rationalisation of the wage structure by means of a higher minimum wage is to rid the industry of the bane of absenteeism. The statutory bonus, which is made conditional on attendance for a specific number of days in the quarter and non-participation in illegal strikes, remained intact in the minimum wage structure of the original Award which raised the lowest wage by 40 per cent in the composite scheme. A substantial increase of this order at one stroke was calculated to offer sufficient incentive for regular attendance and hard work. No convincing reasoning could be adduced for maintaining it separately, particularly when it is linked neither to output nor to profit. The Appellate Tribunal's analysis of the operation of the statutory bonus scheme has led it to a categorical conclusion which needs to be highlighted. The Tribunal has given a clear verdict of failure in regard to the bonus as an incentive to attendance and furthermore it has urged the advisability of considering the problem afresh to base the bonus on production.

The cash and food concessions—the latter taking the form of supply partly free of cost and partly at fixed prices irrespective of higher market prices—was intended purely as a war-time emergency measure. With the lapse of the emergency, in the normal course it ought to have been terminated. If employers have acquiesced in it, it is because of the same factor of embarrassment which has tied the hands of the Government in this matter. Considering this basic character of these concessions, there was hardly any real justification for raising its cash value from As. 6 to As. 10 per day for inclusion in the wage as the Appellate Tribunal has done. The structure of the dearness allowance has been altered by making it variable with changes in the All-India Average Consumer Price Index Numbers (General) with the base 1949=100 according to a prescribed formula. This modification introduces an element of uncertainty in the cost structure. The case for adjustability of the allowance with the cost of living index is weakened by the express stipulation which makes any fall in the index below 102 inconsequential. Actually it had sunk as low as 96 in 1955.

The Appellate Tribunal has brought the wages of female workers to parity with those of male workers in place of the ratio of 75 per cent fixed in the original Award. In so far as the quantum of total wage cost is concerned, this modification does not raise a major problem. The Tribunal has made a fervent plea for the principle of equal pay for equal work. What is of real significance in this issue is the attitude and bias displayed by it. Application of this principle to piece rates raises no controversy. In respect of time rates the Tribunal's attitude is that it would be permissible to fix differential rates if output is demonstrably unequal. In contrast, the approach of the Government of India to this question is realistic. While accepting the principle of equal pay for equal work, the Government has clarified its action in deferring ratification of the ILO Convention and immediate application of the rule to all workers on the ground *inter alia* that an elaborate and objective investigation would be necessary to determine the extent of its violations. It does not make an outright presumption of equal performance.

The net effect of the higher minimum wage scales prescribed by the Appellate authority will have to be subjected to close scrutiny before its real impact on the industry can be assessed. The Tribunal has raised the minimum wage for the lowest category, when bonus is earned, by Rs. 9-3-4 to Rs. 78-4-4 per month for surface workers and by Rs. 9-9-10 to Rs. 81-12-8 per month for underground workers. Since the increases will take retrospective effect from May last year when the original Award came into force, the industry will have to bear the burden of arrears which are estimated at Rs. 4 crores. Presumably it cannot be reimbursed for this payment, which, in effect, will make inroads on its resources so badly needed for expansion. The Tribunal suggests that part of the new increase in the wage bill should be borne by the industry by reason of the latitude granted to it to make uncontrolled profits from exports. This suggestion reveals lack of objectivity. The export market for coal is not free from competition, India's exports are negligible and a fraction of the industry benefits from the export trade. Increase in prices is inevitable to counterbalance the wage rise now awarded. It is placed at Rs. 1-14-0 per ton. Prices had to be raised by Rs.3 per ton after the original Award.

Coming in the wake of last year's increase in production costs consequent on the application of the original Award, this fresh addition ought to focus attention on a proper policy for this industry. It hardly augurs well for the second Plan. More than half of the additional target of 22 million tons in the Plan is earmarked for the public sector which will achieve it mainly by opening up new collieries to be exclusively reserved for it. Public sector collieries have betrayed a failure in financial self-sufficiency, for not less than eight out of the existing eleven are run at a loss. Twenty crores of rupees out of the total outlay of Rs. 60 crores required by this sector for implementing its part of the coal plan have not been provided so far. No adequate consideration seems to have been given to the private sector's requirements of resources to fulfil its allotted share. The proposals for amalgamation of collieries in this sector, made by a special committee of enquiry recently, if approved by the Government, threatens to sow confusion in the midst of the Plan. The success or failure of the coal plan, like that of the transport plan, will assist or obstruct the progress of the whole Plan. It is high time a halt was cried to this drift in the policy for the coal industry.

Spotlight on Thailand

THAILAND will go to the polls on February 26 to elect 123 members to the 246-member National Assembly of Representatives, the rest to be nominated by the King. Political campaigning, which is in full swing, is reported to be most lively and keen yet in Thai history. This is so because the Prime Minister, Field Marshal Pibul Sanggram, has decided to give up the security of a nominated seat and discard the safe, provincial pocket-borough of Nakron Nayoke. He filed his nomination papers from one of the six constituencies of Bankok city, a stronghold of the main opposition party, the Democrats. The Premier's choice has been interpreted as a challenge by the Democrats, whose leader, Mr. Khaung Abhaiwong, himself a former premier, is also contesting from another Bankok constituency.

Only three parties, namely, the Premier's Seri Manangasila Party, the Democratic Party, and the newly-formed Socialist Front of the four Leftist parties have entered the electoral arena on the national scale. There are, besides, a large number of local groups and parties. It is, however, generally accepted that the main contest is between the first two parties as they alone are contesting all the seats. The Socialist Front has put up candidates for only half the seats. Judging from good publicity it has been able to get from Thai language newspapers, it seems to have considerable hold in the country.

The ruling party has gone to the polls with some "achievements" to its credit. It claims the credit for giving stability, both economic and political, to the country; for enhancing the country's prestige abroad by its complete support to the United Nations; and for establishing beneficial relations with the United States of America. The main plank of the Democratic Party is the abolition of the nominated half of the National Assembly and a call for urgent change in the administration. The Socialist Front's programme hinges on a drastic reorientation of Thai policies, both at home and abroad. It stands for a policy of non-alignment in foreign relations and the reconstruction of the nation's economy on socialistic pattern. It is against Thailand's participation in the South-East Asia Treaty Organisation. The Socialist Front thus represents a new element in Thai politics.

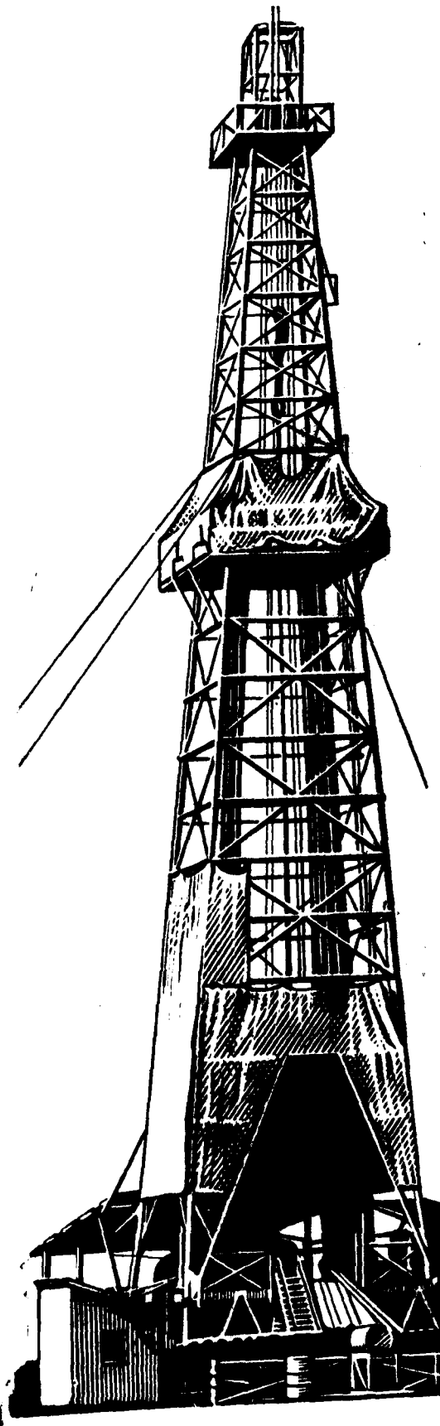
The Seri Manangasila Party seems to have a slight edge on the other two parties because of better organisation, ample funds, and the fact of enjoying unhindered and unlimited political power in a country where corruption has been tolerated for many generations. The Democrats are, however, expected to be able to secure enough seats to form an effective Opposition because, in the absence of strong party affiliations, individual merit and other considerations will weigh with the electorate. If the Socialist Front also manages to get a few seats, as it is likely to do, due to popular outcry against rise in price level, as evidenced in a number of strikes and lockouts, the majority party may not have everything its own way.

These developments in Thailand are interesting for another reason also. Unlike other Asian countries, Thailand is pro-West and thrives on American aid. Doubtless, both the policy of neutrality (which is synonymous with independence in this part of the world) and Thailand's policy of military alliances are in fact attempts to the same end, namely, national independence vis-a-vis Communist China. Thailand has adopted the exceptional policy because it does not suffer from the anti-colonial neurosis, being the only country which was never conquered by any Western Power. Moreover, Thailand is more immune to Communism than other Asian countries, having as it does a well-fed and contended peasantry, with a high proportion of small-holders. Again, of the three million Chinese in this country nearly two-thirds have acquired Thai citizenship and the remaining one-third are obviously not interested in politics. Deep ingrained respect for authority and love of monarchy also contribute much to comparative Thai immunity to Communism. Even among the small politically active class, Communists can appeal only to a handful of intellectuals.

Although Thailand does not have a formal comprehensive plan for economic development, there are a series of development programmes for individual sectors under the direction of various ministries. Among these plans, the most important are the following: a second highway of 3,600 kilometres at an estimated cost of Baht 1,615 million; improvement of railways at a total cost of Baht 1,268 million; modernization of air transport and improvement in livestock; conservation of forests; flood control; and increased navigation facilities. A rice seed improvement project, which will cost Baht 4,000,000 million, will increase paddy production by nearly 30 per cent. The Chao Phya River Barrage Project, costing about Baht 930 million, when completed, will help irrigate an additional area of 2.3 million acres, enabling a second crop during the dry season. Besides, 600 tanks have been constructed at an approximate cost of Baht 46 million to improve irrigation facilities.

The development of domestic resources and output is, however, handicapped by shortage of capital resources and lack of technical skill. To overcome these deficiencies, Thailand has received 74 million dollar aid from the United States of America since 1954, besides getting technical aid worth about half that amount. It has also received 37 million dollar loan from the International Bank for Reconstruction and Development since 1950. The United States has also sent 400 experts and technicians. The Colombo Plan countries have also given Thailand technical assistance.

Improvement in the general economic situation is already visible. Production of rice and most of other agricultural crop has steadily increased, in most cases reaching a record level. The production of tin, which is the most important extractive industry of Thailand, has increased by over 13 per cent. Similarly, the production of cement, paper and manufactured tobacco has increased. The deficit in the balance of payments has been greatly reduced. For the first time in several years there has been a favourable balance of trade. The percentage of literacy among those of ten years of age and over has increased from 56 in 1947 to about 70 in 1955. In the past two years contracts have been concluded with four United States universities to improve teacher-training, vocational training, and higher education in agriculture, engineering and public administration. Yet it would be disastrous to be complacent about further improvements in the economic and social fields because, like all of China's neighbours, Thailand is also exposed to the pressure of this Asian Power.



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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ASSAM OIL COMPANY



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 ?

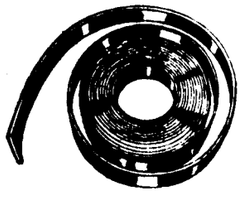
At the end of the rolling, we get coils of flat, steel strip—skelp, as the steel man calls it. The skelp is passed on to the Indian Tube Company, which welds it into tubes.

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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THE WEEK'S NOTES

TOYNBEE ON THE INDIAN EXPERIMENT

AT A time when Indo-British relations on the political plane seem to be somewhat strained over Kashmir, it is happy to note that yet another link between the two countries has been forged in the field of thought and culture by the visit of Dr. Arnold Toynbee to India. The Delhi University, by honouring this distinguished British savant, 'one who in his own own way has illuminated the great adventure of human learning' as Dr. Radhakrishnan so happily put it, has indeed honoured itself anad has shown in what high regard Dr. Toynbee is held in this country. In another respect also, the visit of this eminent historian is most propitious. To one who is exercised over the future of Democracy in this Atomic Age, the visit should serve as an opportunity to study at first hand the Indian experiment in democracy — with the added interest provided by the ensuing elections.

One of the main arguments of Dr. Toynbee in his celebrated work, 'Study of History,' is that man achieves civilisation not as a result of superior biological endowment or geographical environment but as a response to a challenge in a situation of special difficulty which rouses him to make a hitherto unprecedented effort. Growth, however, originates with creative individuals or small minorities of individuals who have the double task of achieving something and then converting the society to which they belong to the new way of life. Since the majority can follow the leadership of creative leaders only by imitation, there is one danger to be guarded against and that is, in the process of imitation, the use of persuasion may give place to compulsion in which case the creative minority becomes a dominant minority and the disciples "a reluctant and alienated proletariat".

To Dr. Toynbee, therefore, the problem of right leadership is of paramount importance in the successful working of democracy, because in the modern age, with the franchise given to the masses, their illiteracy and inexperience are utilised by a small minority to put itself in positions of power. In every country power is thus confined to a minority. To guard against abuse of power by the ruling minority we require statesmen possessing "vision, moderation, perseverance and patience'. Dr. Toynbee holds that the Indian experiment is fortunate in two respects. One is that the minority in India regards its power as a trust to be used on behalf of the majority and the other is the application of the democratic way of persuasion in making the peasant masses 'come to terms with the modern world,' unlike in Russia and China, where the methods adopted are those of coercion and force. India has thus become a focal point in an experiment of 'great importance to mankind', and no wonder Dr. Toynbee should have expressed the view that this experiment is being watched by the whole world as "the success of democracy in the world depends on the success achieved in India."

CONFUSION AMONG COMRADES

LENIN, THE architect of the Communist party organisation, remarked that "a communist party will be able to perform its duty only if it is organized in the most centralised manner, only if iron discipline prevails in it, and if its party centre is a powerful and authoritative organ wielding wide powers.....whoever weakens ever so little the iron discipline of the party of the proletariat.....actually aids the bourgeoisie against the proletariat". Strangely enough, however, ever since the pronouncement of anathema on Stalinism and commendation of "independent roads to socialism" at the 20th Congress of the Communist party of the Soviet Union in February last year, the "iron discipline" has weakened. Cracks have appeared in the monolithic structure of the Communist parties throughout the world.

The confusion, which was till recently limited to the theoretical plane and as such could only be discerned by specialists has now in India become exposed to the public gaze. During the election campaign the party leaders have issued not merely contradictory statements, but have also publicly contradicted each other. While Mr. Ajoy Ghosh, General Secretary of the C.P.I., has characterised as a "hoax" the Congress Party's slogan of a "full socialist order of society," Mr. S. A. Danga, a member of the party's politburo, has described it as a "positive step towards the building up of a welfare State". Again, while crypto-Communists like Dr. A. V. Baliga, Dr. Mulkhraj Anand, and Mr. Balraj Sahni are supporting Mr. Krishna Menon, the Maharashtra unit of the C.P.I. is actively campaigning for his opponent Mr. Peter Alvares. Similarly, Mr. E. M. S. Namboodripad, the theoretician of the Indian party, has accused Mr. Ghosh of "ignorance". Referring to a statement by the latter, Mr. Namboodripad said that Mr. Ghosh did not know the conditions in Kerala when he observed that the possibility of the Communists forming a Government was restricted to West Bengal. It seems true indeed, as Mr. Nehru remarked recently, that the Indian Communists have lost not only their moorings but their balance as well.

FOODGRAIN PRICES IN INDIA

THE RISE in prices in general and those of food grains in particular is an all-India phenomenon. Every passing month registers advance. The Index Number of Food articles (base 1945-50=100) today stands at 399.7. It is reported that in West Bengal, the rising prices of atta and rice, particularly during the current paddy harvesting season, are posing a perplexing problem to the authorities and causing serious concern to the consumers. In some States food grain prices in the open market are about 50 per cent higher than in the fair-price shops. In Uttar Pradesh the situation is alarming. Various causes have been responsible for the rise in food prices in that State. The U.P. Government blames the Centre's refusal to restrict regional movement of food grains for the current rise. Cornering of a substantial part of the daily off-take by certain dealers and the Centre's inability to meet U.P.'s demand of monthly quota are considered to be other contributory factors for the rise in prices.

How is the situation to be met? The imposition of food control may not be favoured on account of its unpopularity in early years. Can fair price shops be relied upon? In U.P., experience in this regard has not been a happy one. Malpractices have prevailed in the cheap grain shops. The way the food grains supplied to these shops pass into the hands of the profiteers is well known. Stocks in fair price shops have also been found to be inadequate in many places to meet the rising demand.

The Government is, however, confident of meeting the situation. In spite of the malpractices prevailing in the fair price shops, the Government still seems to have great faith in them and hopes to solve the problem of rising food prices by proper distribution and adequate supervisory staff. Stocks, official and private, it is pointed out, are adequate and will be further reinforced as the harvests are completed. The only difficulty is in regard to transport. Whether the Government will be able to provide adequate transport facilities, it remains to be seen.

The Government of India appear to be fully seized of the seriousness of the situation. So, bank advances

to rice merchants have just come to be restricted with a view to arrest the upward trend in the price of rice. This is particularly intended to discourage speculative transactions in rice which might tend to raise its price. In directing the Reserve Bank of India to reimpose curbs on advances the Government of India have taken a right step. It is high time the directive was extended to wheat as well.

NENNI'S DEFECTION AND TOGLIATTI'S FUTURE

THE DECISION of the Nenni Socialists to break with the Communists and to join the Social Democrats has upset the Italian Communists' apple-cart. Though pressure has been exerted for a break between the two by a powerful section of the Socialist Party for several years, the demand became almost unanimous only after Mr. Khrushchev's revelations at the 20th Congress of the Communist Party of Soviet Union and Russia's subsequent armed intervention in Hungary. The recent re-approbation of Stalin's has evidently been the proverbial last straw.

The revulsion from Communism is mirrored in the new programme of the Socialist Party. A neutral policy has been adopted, aimed at overcoming division of the world into military blocs; progressive disarmament; reinforcement of the United Nations; and, above all, the avoidance of war. On the economic front, also, the Nenni Socialists will support the European common market and Euratom so long as democratic control is guaranteed, interest of the workers in the backward areas protected, and complicity with colonial politics avoided.

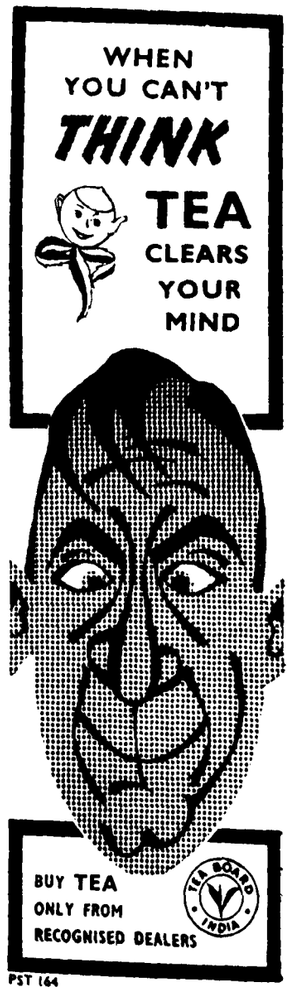
Sgr. Nenni has obviously lost his hold on the party; strangely, it has coincided with the decision to end united front with the Communists. The trend is reflected in the election to the 81-member central committee of the Socialist Party: Sgr. Nenni's group has won 27 seats, and Sgr. Basso's, which is against any undue haste towards unification with the Social Democrats, has secured 15 seats. The pro-Communists, led by Sgr. Pietrini, have managed to get only nine seats. It is possible, of course, that his support to ending the United front came because Sgr. Nenni had lost his hold on the party.

With the Socialist Party's merger with Sgr. Saragat's Social Democrats, the latter will emerge as Italy's second biggest group after the ruling Christian Democrats, pushing the Communists to third place. It will thus cause further discomfiture to the Communists who are already weakened by internal dissensions and the defection of Sgr. Reale and other intellectuals from the Party. What remains to be seen, however, is Sgr. Togliatti's next move. He had failed, in spite of his attacks on the Kremlin rulers, to keep the Nenni Socialists with the Italian Communist Party. Will he recant his recent statements and rejoin the fold of the faithfuls, or allow himself to be purged by the Stalinists inside the Party?

PAKISTAN'S PRESSING PROBLEM

THE STRONG reprimand by the Director of International Co-operation Administration of the US Government in Pakistan seems to have awakened the authorities in Karachi to the grim food position inasmuch as a Commission has been set up to investigate causes of food shortage and suggest permanent remedies. In the current year, Pakistan faces an estimated food deficit of 7.25 lakh tons, of which 3.25 lakh tons will be in West Pakistan which was till lately generally a surplus area. The reasons for this abnormal change in the position are not difficult to find. Ever since its inception, Pakistan's economic problems have been over-shadowed by the stresses and strains of politics in which a whole row of governments has come and gone. It is known that nature has not been unfavourable during the past few years over this sub-continent which has largely helped India to cut down her food shortages. There is thus none to blame for Pakistan's present deficits other than her own policies.

Before anything else, Pakistan needs a thorough agrarian revolution in the form of drastic changes in land tenure. To provide incentives to cultivators to produce more, such inducements as relief in water tax and land revenue are absolutely necessary. There is no dearth of technical assistance and agricultural equipment and tools which come to Pakistan in abundant supplies from America. In her Western wing, she has a network of canals for irrigating a substantial and fertile area. All that is needed is to put the claims of economic development before all others. No country can possibly live indefinitely on doles, and this has been made plain by Mr. John Bell. A cry of 'jehad' or an undue emphasis on military preparations are no substitutes for food. It is only proper that Pakistan should now directs her attention to solving the more pressing problems with determination.



A Window on the World

WELCOME TO GHANA!

By

ODYSSEUS

ON Wednesday, March 6, a new member enters the Commonwealth family of free nations — Ghana, hitherto a Crown colony known as the Gold Coast.

Thus, within ten years of the emergence of India and Pakistan with independent, co-equal status in the Commonwealth, we have a third non-European member — the first in the continent of Africa. This is a momentous event which opens far-stretching horizons and deserves much more than passing attention.

I must, for my part, confess that until the newspapers began to make increasing mention of the impending change in the status of the Gold Coast, the sum total of my knowledge of its affairs was confined to the fact that it is situated at the bottom of that part of the west coast of Africa that bulges out into the Atlantic, and that it is entirely surrounded by the enormous territories which go by the general name of French West Africa and which stretch all the way from Senegal on the West across to the Sudan on the East. As there may be others as unknowledgable as I was about Ghana, I propose in view of its approaching change of status to share with you this week the results of the intensive researches that I have made, and next week to reflect upon their political and international significance and implications.

The population of Ghana is 4,620,000. Its area is 91,843 sq. miles, which compares closely with Jammu and Kashmir whose population is 4,400,000 and area 92,780 sq. miles. On the other hand, whereas Kashmir is a mountainous country with a mild hot-weather climate, Ghana lies wholly within the tropics. Although there are some ranges of hills, none rise higher than 3,000 feet and the climate varies from the hot and dry to the hot and wet. Cocoa is by far the most valuable export. Its production employs 185,000 people. It is the State's principal revenue raiser. Exports in 1954, the peak year for cocoa prices, reached £84 millions in value and were £4 millions higher than the budget revenue for that year. It is the domestic source from which the State's £72 millions Development Plan of 1955 can hope for finance.

TOASTS IN COCOA?

Mr. Gbedemah, the Gold Coast Finance Minister, described cocoa in his 1956 budget speech as "the life blood of the country" — a simile which should arouse a sympathetic quickening of the pulses in the North and South secretariats of New Delhi, which will perhaps, as a brotherly gesture to the new State, consider issuing an instruction to our diplomatic missions abroad to substitute cocoa for the coloured waters in which toasts are now drunk on ceremonial occasions. (As one of India's leading diplomatic correspondents said to me some time ago as we came out of a party at the Raj Bhawan: "Wonderful party! I've never seen the water flow like champagne before"). However, fortunate it may be from the point of view of the consumer (who is the forgotten man of the twentieth century), the substantial fall in cocoa prices has dealt the Gold Coast a blow. The reserves, wisely built up by the administration during the years of high prices, are enough to meet development budget deficits for some time, but sooner or later Ghana will have to look to foreign aid if its big schemes — such as the £150 millions Volta river plan — are not to be shelved. As an independent state, Ghana will no longer qualify for the British Colonial Development Corporation's funds. The UK government has promised to study the problem of alternative sources and Ghana already plans an approach to the World Bank.

AN AGRICULTURAL COUNTRY

March 6 will see the addition of an essentially agricultural and raw material producing country to the comity of the Commonwealth. Apart from cocoa, there is some export of palm oil, palm products, and a little copra, cocoa-nut oil, coffee, and limes. Mining is important. In 1955, exports of gold totalled 723,905 fine ounces worth £9 millions; diamonds were valued at £5½ millions; manganese ore: 539,580 tons worth £5.2 millions; and 116,285 tons of bauxite, worth £203,505. Total value of all exports in 1955 was provisionally estimated at £96,505,000 and of all imports £87,868,000. The 1954-55 budget showed revenue estimates of £80 millions and expenditure of £79 millions. This is approximately Rs. 104 crores, or about one fifth of the Government of India's revenue estimates.

Dr. Nkrumah, the Prime Minister, has told his Legislative Assembly that it would be many years before Ghana could hope to find from its own resources savings and industrial know-how. Providing that suitable arrangements were made for the training of Africans, Dr. Nkrumah declared that he wished to give every encouragement to foreign investors. He said that he had no plans for nationalisation but that if a future government were to consider the nationalisation of any particular industry, adequate compensation would be paid. Meanwhile his government grants tax relief to companies formed to enter any pioneer industry, which has been statutorily defined to include food canning, biscuits, cement, confectionery, fertiliser, footwear, leather products, nails, screws, matches, paper, soap, tobacco products, woodware, wheat and flour milling.

The people of Ghana are not homogenous. There are four main linguistic groups and some fifty different languages or dialects are spoken. The coastal territories (whence the Gold Coast derived its name) are occupied by what are claimed to be the most advanced people from whom are drawn most of the civil servants, educated classes, etc. The central area (Ashanti) is inhabited by peoples who have considerable historical and social importance, tribally organised under chieftains. They are not to be compared with the Indian princes under British rule because the Ashanti chieftains form an integral part of the administration and social system. The northern territories are inhabited by peoples described as less sophisticated. There has been a good deal of resistance among all the peoples outside the coastal areas to being placed under the permanent majority rule of the inhabitants of the more populated coastal areas, but these differences have been overcome with the help of a report drawn up after a tour of investigation, at the request of the (popularly elected) Gold Coast government, by Sir Frederick Bourne, whom many will remember as chief secretary of the Punjab from 1941 to 1945 and later as governor of the Central Provinces. Sir Frederick recommended

a substantial devolution of power from the centre to regional assemblies, and this was accepted by Dr. Nkrumah's government.

INDEPENDENCE WITHIN 56 YEARS

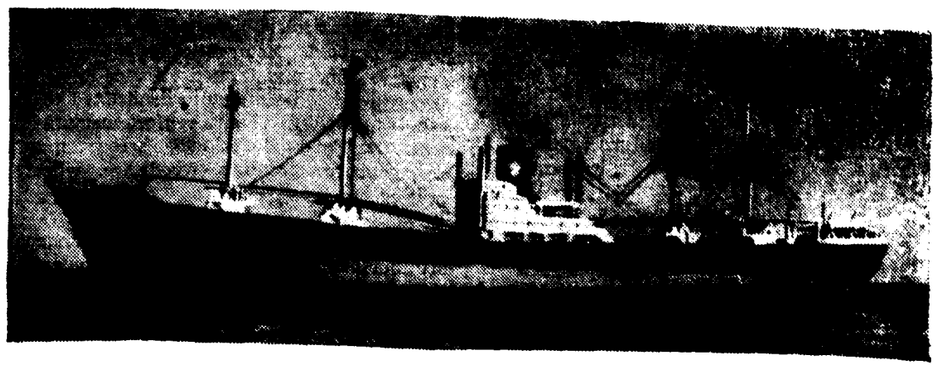
Africans were comparatively late arrivals in the mixed territories which are to be known as Ghana. They first came in the thirteenth century A.D. Various sea-faring European nations set up trading posts on the coast from the fifteenth century onwards. The British turned up in 1620 but made no attempt to establish political rule until 1821 when this came about over the coastal area as a result of the British Government's decision to eradicate the slave trade to America. Penetration of the interior did not begin until as late as 1873 after the Ashanti war. This was followed by the gradual spread of control over the whole area, a process which was not completed until 1901.

Now, 56 years later, within the memories of many survivors of those early colonial days, the Gold Coast will join the free nations of the world.

Since 1946, when for the first time the Legislative Assembly had an African majority and represented Ashanti as well as the coast, advance has been rapid.

In 1949, a wholly African committee, under the chairmanship of Mr. Justice (now Sir Henley) Coussey, was entrusted with drawing up a constitution. Their recommendations were adopted for the 1951 elections and have been the basis of all subsequent developments. The 1954 constitution follows the British parliamentary model, except that there is only one House. All parties were anxious to press on to independence but the Opposition parties (representing the non-coastal areas), which held 25 seats in a house of 104, were anxious for a loose federation to protect the internal autonomy of the Ashanti and northern territories. Mr. Alan Lennox Boyd, the British Colonial Secretary, who has throughout played an active and constructive part in these proceedings, found a way out of the deadlock by declaring that if a general election were held, the British Government would accept a motion calling for independence if passed by a "reasonable majority" in the new house. The election resulted in an over-all majority for Dr. Nkrumah's party which won all 44 seats on the coast, 8 out of 21 in Ashanti, 8 out of 13 in Trans-Volta Togoland, and 11 out of 26 in the North — figures which show that he is in a minority outside the coastal areas, and which might have given a reactionary Colonial Secretary an opportunity of going back on his pledge. But the UK government accepted the majority verdict. This aroused further outcry in the minority areas but Mr. Lennox Boyd was able to find a formula, which reconciled all parties, during his flying visit to the Gold Coast between January 24 and 30 of this year.

Having thus set forth the facts this week, I will try next week to show why I believe that the emergence of the first African member of the Commonwealth must have important consequences for the Commonwealth and for the future of the whole of Africa — north, south, east, and west — not forgetting the Union.



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MEDITERRANEAN DIPLOMACY

(From Our Special West European Correspondent)

PARIS, February 15.

CERTAIN comings and goings in the Western Mediterranean this month have revived discussion of a Mediterranean alliance that would link together in new "post-imperialist" relations the Arab and European states on the shores of the inland sea. To date, only the Moroccans and Spaniards take these schemes seriously, so reports that such a pact is imminent (such reports have just appeared in Borba) can be heavily discounted. But, pact or no pact, the choice of possible partners for a possible pact already shows how certain capitals conceive the future of international relations in this area; and such conceptions can be instructive. When I first wrote about a Mediterranean pact, from Spain last summer, the advocates of the alliance were talking vaguely and ambitiously about a treaty that would connect all the Mediterranean states from Egypt to France, Israel as well as Syria. Subsequent events have shown even the dreamiest diplomats that the mere existence of Suez, Israel, Cyprus and Algeria make such schemes absurd. Now they have resuscitated the proposal in a much more limited and hence rather more practical form: the suggestion now is that the alliance should include three European States, France, Italy and Spain, and three Arab States, Morocco, Tunisia and (looking into an uncertain future) Algeria.

Most of the trouble spots are in the Eastern Mediterranean; the Western basin contains only one, Algeria, and the advocates of the new alliance hope that it might even assist in the liquidation of that dispute. But the restriction of the alliance to the Western basin has another significance: it is intended to express the unwillingness of Morocco and Tunisia to associate with Egypt and the Arab League. The new Muslim states in North Africa, whom I have referred to here as the "Arabs of the West", want to have as little as possible to do with Cairo and what Cairo stands for in their eyes: namely, Nasserism, pan-Islam, Communist flirtations, anti-semitism, violent nationalism, racialism and the absence of all social conscience as regards the economic condition of the people. The Western Mediterranean alliance would, in the plans of the Sultan of Morocco, provide an alternative to the blind alley of Arab League adventurism.

The Sultan's spokesmen are denying that he has in mind any definite proposal for an alliance, but the lines of his thought can be guessed from the course of the Mediterranean cruise he has just completed. He went first (by an Italian ship) to Cannes in the South of France, where he had cordial talks with Maurice Faure, one of the younger and more liberal French Ministers (who has since gone to Tunis for similar talks with Mr. Bourguiba.) This interview was intended to put an end to the recent family quarrel between Rabat and Paris caused by the kidnapping of the Sultan's guests; it appears to have succeeded for, immediately after, France and Morocco signed a pact for economic aid. The Sultan then proceeded to Italy where he toured privately but had talks in Rome that are admitted to have dealt with the general idea of a Western Mediterranean pact. Mohammed V then went to Madrid where he was received with sumptuous courtesy by the other ardent supporter of a Mediterranean alliance, General Franco, with whom he is pleased to confess he shares many ideas, especially on the threat of Communism. In Madrid the Sultan also received emissaries from the Algerian rebel movement, to mark the fact that he envisages Algeria as a full member of the alliance. Moreover he met King Ibn Seoud of Arabia, whom he took back with him to Rabat to continue the campaign which President Eisenhower had begun, to use Seoud as a moderating influence on Colonel Nasser. Finally in Rabat, the Sultan prepared to receive Mr. Bourguiba of Tunisia for the talks that were interrupted in Carthage last October by the kidnapping of Ben Bella.

Thus the Sultan's round trip covered the ground that he and Franco would like to see included in some closer association. Notice that the journey did not take him into Eastern Mediterranean waters to visit any Arab "brothers" in the Near East; the contact with King Ibn Seoud only occurred after the King had been, as it were, disinfected by a stay in Washington. And this first diplomatic sortey of the head of newly independent Morocco took place before any Moroccan ambassador has been sent to Cairo (despite Colonel Nasser's entreaties) and before Morocco has shown any interest in the Arab League.

Mr. Bourguiba's visit to Rabat fits into the same picture. The Tunisians are less interested in a Western Mediterranean alliance than in a sort of Commonwealth connection between France and the three North African territories, but the purpose of this proposal is identical: to preserve the Western orientation of North Africa and to isolate it from the adventurism centred in Cairo. Tunisia has naturally less to do with Spain than has Morocco, for Spain was one of the "co-protectors" of Morocco and still preserves footholds in the country; but the Tunisians have close links with Italy, and would not necessarily be averse to the widening of their Commonwealth scheme to include two other European nations. The further extension of Mr. Bourguiba's tour, down to Accra for the inauguration of independent Ghana (the Gold Coast), is meant to have symbolic value only.

For the Spaniards, the passage through Madrid of these Arab potentates is a diplomatic triumph, for Franco, has argued for years that only Spain can serve as the hyphen between Islam and the West. In fact the encounter in Madrid of two kings from either extreme of the Arab world was a mere accident; Seoud came in response to an invitation addressed to his father in 1952, while Mohammed V came on other business; but Franco is using the coincidence to renew his campaign in Washington for a new approach to Islam, through Madrid. As usual, Franco's pro-Arab policy is promoted in a double-faced way: while Spain defends France in the Algerian debate in the United Nations, Madrid Radio urges on the Algerian rebels, and rebel leaders receive the customary honoured welcome in Spain.

But Franco is simultaneously engaged on an even more complicated piece of double-dealing, which has the same object of enticing the USA into making Spain the pivot of her Mediterranean policy. This is the negotiation with Moscow about the 520 tons of Republican gold. For years past Franco has been the most passionate champion of anti-Communism and has denounced all talk of co-existence between East and West. But his interest in the Arab world has shown him

that (as every Asian statesman knows) ardent anti-Communists get less out of Washington than do the waverers, the blackmailers and the apparently undecided. Drawing the moral from Washington's scrupulous protection of Nasser, Franco decided to try his own hand at the wavering game, and began tentative but well advertised contacts with Moscow. The opportunity for this came when Negrin, a former Republican Spanish leader, died in Paris leaving to Franco a supposed receipt for 520 tons of gold that the Republicans entrusted to the Russians at the end of the Spanish Civil War. The receipt, supposing it exists, would not suffice to get four annas worth of brass out of Moscow, let alone £200 million worth of gold — unless the Russians thought they could buy something with it, for instance the opening of a Russian embassy in Madrid and a trade pact covering the purchase of Spanish mercury and other metals. The repatriation of many Spaniards from Russia and the interesting talks of a supposed Spanish Red Cross mission in Moscow suggest that the Russians are ready to take the matter further, and Madrid has delicately drawn Washington's attention to this fact. Franco cannot seriously envisage a close association with the Russians (any more than Nasser can, in all probability), but he can hope to wheedle more aid out of the Americans, which would strengthen his tottering economy and give him more power in a proposed Mediterranean alliance.

But the proposals for a Western Mediterranean pact cut across a grander and yet more promising French scheme: the association of the French African territories with Euromarket. The French argument is that the Sultan's political reveries are all very well but the economic future of North Africa has more to gain from an association with German industry, and this means the establishment of a European common market which is then extended to include French Africa in return for German investments in that area. Franco and Mohammed V may have all sorts of ideas in common on the question of Communism, but Spain has no money to invest even if she gets her 520 tons of Moscow gold. Italy has none to invest either, for she has an underdeveloped economy in her own backyard, in the Italian mezzogiorno. France would have to supply all the investment in a Western Mediterranean pact, as she is doing already but at great cost to her economy. Hence the hope of getting the Germans to put up a proportion of the capital required in Africa. This brings us back to the question of Euromarket, and the colonies, which has been discussed several times here lately. The Euromarket experts meeting in Brussels have not been able to settle this problem and it will soon be discussed at the highest level, in a meeting between Adenauer and Mollet.



WORLDGRAM

AGRICULTURE

Provident Fund for Plantation Workers: The Government of India have decided to extend the benefit of copulmsory contributory provident fund under the Employees' Provident Funds Act, 1952 to workers in plantations of tea (except in Assam where a similar Act of the State Government is already in operation), coffee, rubber, cardamom and pepper employing 50 or more workers. A gazetted notification, requiring the recovery of provident fund from wages for and after the month of May, 1957, is being issued by the Ministry of Labour, Government of India. With this extension approximately 3.60 lakhs additional workers are likely to get provident fund benefits and their monthly contributions to the fund including the employer's share are estimated to amount to Rs. 16.52 lakhs.

INDUSTRY

Specification for Cement: The Indian Standards Institution has issued, for eliciting comments, a draft revision of the Indian standard specification (IS: 269-1951) for ordinary, rapid-hardening and low heat portland cement. The original specification was published in 1951 as a tentative standard for a period of three years. Since its publication, a series of investigations were initiated on a number of problems connected with test methods as well as performance requirements specified in that standard. Experience of the manufacturers and the users in following the standard was also collected. In the light of these investigations and the experience gained, this draft revision has been prepared incorporating some important changes. Further changes include simplification in the test of fineness and addition of an optional test for testing soundness of cement by autoclave expansion method. Comments on the draft revision may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before April 28, 1957.

*

Production of Penicillin at Pimpri Factory: The highest figure of penicillin processed so far at the Penicillin Factory at Pimpri, run by the Hindustan Antibiotics (Private) Ltd., was attained during January 1957, when 1,514,250 mega units of crude penicillin was processed into various salts as compared with 1,118,572 mega units processed during the month of December, 1956. Production of penicillin during January 1957, amounted to 1,569,000 mega units as compared with 1,040,000 mega units during December, 1956. During January 1957, 1,007,370 vials of Penicillin were filled both at Pimpri and Bombay, as against 1,051,198 vials filled during the month of December, 1956. Sales of the products of the Pencillin factory have shown marked progress after they were centralised at the Bottling Plant in Bombay. In January 1957, the sales went up to Rs. 7,06,303 as compared with Rs. 4,63,556 in December, 1956. Various schemes in connection with the future development programme of the factory, to achieve a 60 per cent expansion, have been taken in hand and are making progress.

*

Laying and Maintenance of Linoleum Floors: The Indian Standards Institution has issued for eliciting comments, a draft Indian standard code of practice for laying and maintenance linoleum floors. This code intends to guide the users of linoleum in regard to the preparation of the sub-floor and the base, fixing of underlay, laying of linoleum and its maintenance. Comments on the draft code may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before April 21, 1957.

*

Draft Specification for Oil Paste for Paints: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for oil paste for paints, yellow ochre. This draft standard prescribes the requirements and the methods of test for yellow ochre for oil paste for paints used in the manufacture of ready mixed paints. Comments on this draft standard may be sent to the Indian Standards Institution 19, University Road, Delhi-8, before April 29, 1957.

*

Draft Standards for Fire Fighting Equipment: The Indian Standards Institution has issued for eliciting comments, 12 draft specifications covering fire fighting equipment. The specifications cover couplings, delivery hose couplings, suction hose couplings, breechings both for delivery and suction, revolving head branches, suction strainers, fire hooks, fire bells and washers.

TRADE

Record Cyprus Trade in 1956: The oversea trade of Cyprus last year broke all records. Figures just published in Nicosia show that exports during the 12 months were valued at £22,000,000, and imports at £39,000,000. These figures compare with exports of £18,000,000 and imports of £3,000,000 in 1955 the previous record year. "The trade has increased so sharply despite the Eoka campaign of terrorism is a remarkable tribute to the resilience of the Cyprus economy," said the Director of Commerce and Industry. He added: "Progress is likely to be even more marked when the country's whole attention can be turned to peaceful pursuits". The United Kingdom, the United States, and Western Germany were the main customers of Cyprus., whose principal suppliers were the United Kingdom, the United States, Western Germany, Italy and France.

*

Import of Cement: Through the efforts of the States Trading Corporation over one lakh tons of cement were imported up to the end of January 1957. Of this quantity, about 46,000 tons have arrived at the port of Bombay, 34,000 tons at Calcutta, and 24,000 tons from Pakistan via the Wagah-Attari route. About 15,000 tons are expected to arrive at the ports of Vishakapatnam and Madras before the end of this month. The imports would have been much larger but for the closure of the Suez Canal. Nevertheless, imports from countries not affected by the Suez Canal situation are continuing regularly. It is expected that a further quantity of about two lakh tons will be imported by the end of August, 1957.

*

Exports of Guar Gum Banned: The Government of India have reviewed the export policy of guar husk or gaul hull (also known as guar gum) export of which was being allowed freely hitherto as an uncontrolled item, and have decided to ban its export with immediate effect.

*

Indo-Italian Trade Agreement Extended: Letters were exchanged recently between the representatives of the Government of India and the Government of Italy extending the validity of the Indo-Italian trade agreement up to Decembe 31, 1957. The trade agreement was concluded on July 29, 1954, and was valid up to December 31, 1956.

Trade and Goodwill Delegation from Sweden: A Trade-cum Goodwill Delegation from Sweden has arrived in this country at the invitation of the Government of India. The object of the delegation's visit is to study the progress made by India in the various sectors of industry and to explore possibilities of expansion of trade and industrial collaboration between the two countries. An Indian Goodwill Mission visited Sweden last year. India's imports from Sweden in 1955-56 were valued at Rs. 7.86 crores and her exports to Sweden Rs. 1.57 crores. Trade between the two countries is regulated by a Trade Agreement. Sweden accords to Indian goods the same treatment as accorded to goods originating in O.E.E.C. countries.

FINANCE

Indo-U.K. Agreement on Avoidance of Double Taxation. An Agreement between the Government of India and the Government of the United Kingdom for the avoidance of double taxation and the prevention of fiscal evasion with regard to estate duty was signed on April 3, 1956. The Agreement came into force in India with effect from June 30, 1956, but its provisions are also applicable retrospectively, if the accountable person so elects. The Central Board of Revenue have now prescribed, by Rule 38 of the Estate Duty Rules, 1963, the procedure for claiming relief under the said Agreement in cases where estate duty has been paid both in India and in the United Kingdom on the same property. The Rule has been notified in the Gazette of India.

*

Drawings from International Monetary Fund: The Government of India have negotiated with the International Monetary Fund for a drawing of $127.5 million. Of this amount, $60 million will be drawn immediately and the remaining $67.5 million will be drawn after a month. In addition, the Fund has agreed to a standby credit under which India will have the right to draw an additional sum of $72.5 million at any time during the next twelve months.

*

U.S. Assistance for India's Malaria Control Programme: The Government of India and the United States have signed a supplementary project agreement under which India will get $6¼ million for her malaria control programme. This is the first agreement under the U.S. Development Assistance Programme for the fiscal year ending June 30, 1957. The money will be used to obtain from outside India 9,200 long tons of 75 per cent water wettable DDT powder and 200 long tons of 50 per cent water wettable Dieldrin powder. Under the agreement, the Government of India will provide the rupee equivalent of $2.3 million to meet the costs of local operations and inland transportation, etc. India's nation-wide Malaria Control Programme, now in its fifth year of operation, envisages the extension during the current year of the operations so as to give some measure of protection to about 200 million people living in malarious areas.

*

Subsidised Industrial Housing Grants: Loans and subsidies amounting to Rs. 1,12,42,800 were sanctioned by the Government of India during December, 1956, for the construction of 2,832 single-room tenements in the Bombay State under the Subsidised Industrial Housing Scheme. Of this, Rs. 56,21,400 will be loan and the rest subsidy. Two hundred tenements will be built at Rajkot, 50 at Morvi, 60 at Wankaner, 100 at Saurendranagar, 74 at Dhrangadhara, 50 at Limbi, 100 at Veraval, 60 at Sika, 100 at Porbandar and 40 at Shahpur. Seven hundred seventy-four tenements will be put up at Bandra and 1,224 at Koliwada, subsurbs north of Bombay City. The total amount of loans and subsidies sanctioned to various States and organisations till December 31, 1956, for the construction of 87,646 tenements and 150 shops since the inception of the scheme in September, 1952, is Rs. 24,75,35,930.

*

Registration of New Companies in Eastern Region: Thirty public companies with an authorised capital of Rs. 50,64,60,000 and 221 private companies with an authorised capital of Rs. 57,14,53,500 were registered in the eastern region comprising West Bengal, Assam, Bihar and Orissa under the New Companies Act during the first nine months after the Act came into force on April 1, 1956, according to a review made by the Regional Director, Eastern Region, Company Law Administration, Calcutta. During the same period, 106 companies went into liquidation in this region.

GENERAL

The Bristol Britannia: The Bristol Britannia, which is to be introduced by B.O.A.C. into regular service on March 2, between London and Sydney through India, is the largest turbo propeller airliner in the world and the first long range aircraft of this type. Universally known as "the Whispering Giant", the Britannia has a wing span of 142 feet, a length of 114 feet and an all-up weight of 155,000 lbs. (67 tons). Its four Bristol Proteus 705 turbine engines each develop the equivalent of 3,900 horse power and they give the aircraft a cruising speed of 360 miles per hour. It normally flies at heights between 20,000 feet and 25,000 feet but the cabins are fully pressurized and air-conditioned so that passengers do not feel any effects of heights. The Proteus engines are smooth running and the Britainnia is fitted with weather detection radar equipment which gives the pilot an indication of storm centres up to 150 miles ahead of the aircraft and enables him to avoid areas of turbulence. The Britannia is already operating three services a week in each direction between London and Johannesburg. Two of these services are routed via Rome, Khartoum, Nairobi and Salisbury to Johannesburg. Starting on March 2, the Britannia will go into service between Britain and Austraila on the Kangaroo route, operated by the Corporation in partnership with Qantas Empire Airways. There will be three services a week in each direction between London and Sydney-Calcutta will be a regular stopping place for the Britannias flying on the Australian services and the other points of call will be Zurich, Istabul or Beirut (depending on developments in the Middle East), Karachi, Singapore, Djakarta and Darwin. Later this year Britannias will also go into service on B.O.A.C. routes between Britain and Aden, Ceylon, Hong Kong, and Japan, with halts at Delhi or Bombay.

*

Model Schemes for Setting Up Small Industries: A number of model schemes for setting up small-scale industries and technical bulletins on different manufacturing processes have been prepared by the Small Industries Organisation under the Ministry of Commerce and Consumer Industries. These schemes give the basic data regarding the requirements of plant and equipment, raw materials, capital investment and other details. They are intended to help the small entrepreneur who may not possess the basic knowledge about different aspects of small industries.

NEWS IN BRIEF

INDIAN

The Government of India has sanctioned a scheme to set up a cement factory in Pampore, about ten miles from Srinagar. The scheme will involve an expenditure of Rs. 15 lakhs.

*

A scheme for the grant of financial assistance to colliery owners to enable them to provide dispensary facilities to coal-mine workers has been sanctioned by the Government of India.

*

Te sugarcane planting programme for better recovery of sugar during the 1957-58 season, by replacing old varieties and extending the area under early maturing varieties by up to 30 per cent has been drawn up for the Rohilkhand range in U.P.

*

It is reported preliminary inspection of the site has been completed for the establishment of the heavy electrical machinery factory near Bhopal. The factory will be the first of its kind in India.

*

The Joint Chief Controller of Exports, Bombay, has announced that the ceiling fixed for the export of onions from Bombay port has been reached and no further applications would be entertained with immediate effect.

*

It is reported forward trading in oilseeds will start shortly in Calcutta under the auspices of the Calcutta Wheat and Seeds Association.

*

Two 100-ton open herth furnaces were put in operation recently marking the first stage in the gradual expansion of production which will raise Tata's steel output to two millions by 1959-60.

*

It is reported that no ceiling would be put on the loan to be given by the Industrial Finance Corporation of India to any type of industry.

*

The Ministry of Commerce and Industry has announced that licences for export of pashmina wool for the period January-June 1957 will be issued from New Delhi on the recommendations of the Government of the State in which the stocks intended for export are located.

*

A scheme for the installation of automatic flashing beacons in the Sunderbans to facilitate night navigation was approved by the Ganga-Brahmaputra Water Transport Board at its meeting held recently.

*

It is reported Dacca Navigator Chains on the east and west coast of India might possibly be completed before the mansoon of 1958.

*

The Government of India have acquired the aircraft-carrier 'Hercules' (15,700 tons) from the British Government. The 'Hercules' is being modernised and refitted in the United Kingdom.

FOREIGN

The United States Secretary of Agriculture has announced price supports for 1957 United States Crops, including cotton. The minimum price for 1957 cotton will be 28.15 per cent per pound gross weight on basis of middling ⅞ inch cotton at average locations.

*

World oil output last year totalled 835 million tons, the highest figure and an 8.5 per cent advance on 1955. Canadian production went up by 30.8 per cent—the highest increase in the world — to make Canada the seventh largest producer outside Eastern Europe and China.

*

The magazine "Editor & Publisher" reports that the number of daily newspapers sold in the United States each day has reached an all time record of more than 57 million.

*

A Spanish trade delegation, comprising Government officials and business men, has arrived in Cairo to investigate the possibility of selling more Spanish products to Egypt.

*

The Bank of Japan has announced a deficit in Japan balance of payments for January, and forecasts that deficits would probably continue this month and next.

*

A contract for the delivery of 100,000 tons of Burmese rice to the Soviet Union in 1957 was signed in Rangoon recently.

*

British Guiana exported $3,793,804 worth of greenheart timber during 1956, an increase of $860,000 on the previous years exports. The United Kingdom, the United States and Holland were the chief importers.

*

The Anglo-Norwegian Economic Committee, which met in London recently, reached an agreement on the level of quotas to be established by each country for the import of goods in the sector still subject to bilateral negotiation.

*

Mineral production in Southern Rhodesia in 1956 reached a record value of £23,260,547, according to the Department of Mines. The figure is about £2¼ million higher than in 1955 and over £4 million above the 1954 total.

*

The Maize Industry Control Board in South Africa has concluded an agreement with Egypt for the sale of 40,000 tons of maize to Egypt for shipment in four loads during April and May at £20 per ton f.o.b.

*

It is reported about two-thirds of the Kr. 160 million (£10.6 million) imports to Sweden from the Soviet Union under the recently signed 1957 agreement will consist of liquid and sold fuels. The quota for oil and oil products has been raised from 850,000 tons to 900,000 tons and the quota for coal and coke is unchanged at 150,000 tons.

*

Rubber production in Ceylon during December amounted to 11,440 tons, bringing production for 1956 to 95,389 tons. Compared with 93,830 tons in 1955.

*

Japanese production of chemical fibres amounted to 981 million lbs. in 1956, 27.9 per cent above the level of the previous year. Rayon filament output reached 227 million lbs. (up 16.4 per cent) and acetate and rayon staple 690 million lbs. (up 28.5 per cent).



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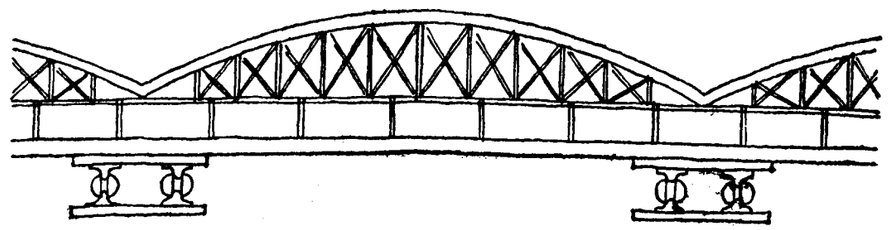
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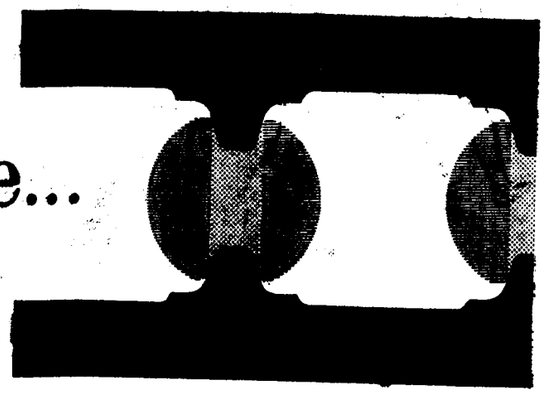
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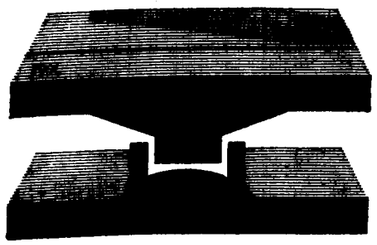


Rs. 25 crores are to be spent during the next five years on bridges alone. For these reinforced concrete and structural steel bridges, thousands of cast steel roller and rocker bearings will be needed. These cast bearings form an integral part of bridge construction because they allow for free movement of the bridge caused by temperature variations.

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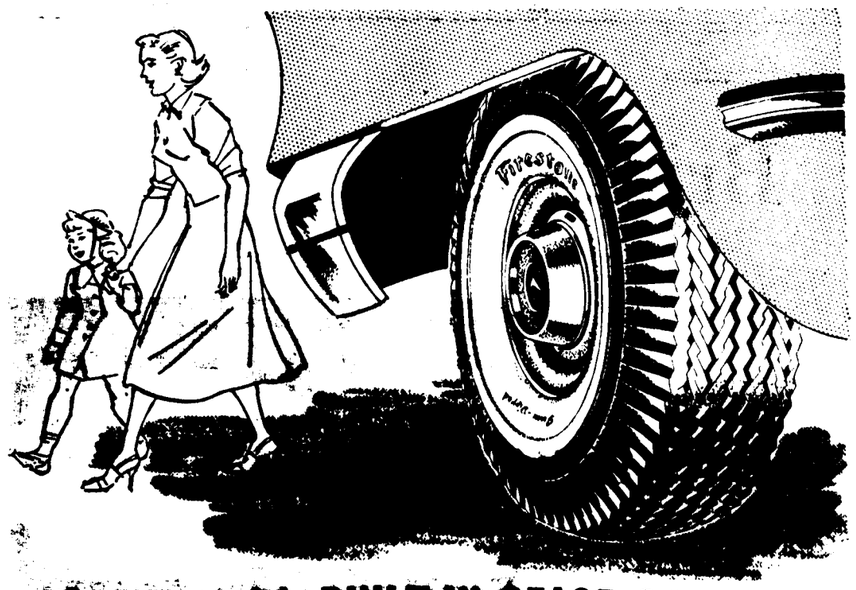
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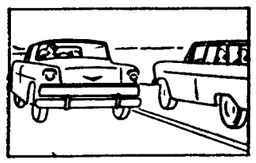
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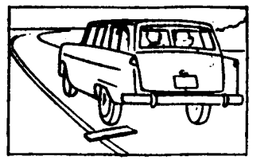
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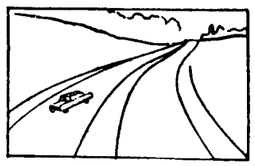
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X-71

Economic Report from the U.S.

U.S. TRADE POLICY

(BY GUY SIMS FITCH)

WASHINGTON, Feb. 12.—Another Presidential message required by law now has taken its place alongside the state-of-the-union, the budget, and the economic reports, as a major annual communication to Congress: This week, Mr. Eisenhower submitted to Capitol Hill his first regular report on the operation of the U.S. Trade Agreements Programme. The Programme itself has governed U.S. trade relations with other countries since 1934. No annual Presidential report was necessary. But in 1955, Congress wrote the reporting requirement into the legislation by which the trade programme has extended for three more years. The report thus represents a reaffirmation of long standing policies. But it is particularly appropriate that the first annual trade message should come from Mr. Eisenhower. For the past four years he has given the programme not only his endorsement, but a new and vital impetus.

It is Mr. Eisenhower's conviction that international commerce not only contributes to U.S. economic well-being, but also "beneficial to the community of nations and conducive to the establishment of a just and lasting peace in the world." U.S. foreign trade policy, therefore, "seeks to promote the continued growth of mutually profitable world trade." It is a matter of record that the Eisenhower Administration has consistently worked towards this goal. One of Mr. Eisenhower's major recommendations after becoming President in 1953 was a three-year extension of the Trade Agreements Act. In 1955, Congress not only approved that extension, but granted the President additional tariff-cutting authority.

This authority was put to use last year, when the United States and 21 other contracting parties to the General Agreement on Tariffs and Trade (GATT) met in Geneva to negotiate multilateral tariff concessions. The U.S. also co-operated in strengthening the 35-Nation General Agreement. More effective and simple provisions have been devised. Particularly those that fit the needs of newly developing countries. Another encouraging tendency noted in the report is that countries with balance-of-payment difficulties are seeking a solution, of their external financial problems through internal measures rather than through the imposition of import quotas, which often have been a greater trade impediment than tariffs. One element of the President's Trade Programme which has not yet received congressional approval is U.S. membership in the proposed Organization for Trade Co-operation (OTC), designed as a permanent administration body for GATT. The President's recommendation to join OTC, on which Congress failed to take action last year, will probably come before the national legislature again this year.

By contrast the President succeeded in obtaining approval for another long-sought piece of legislation — one that is not included in the present report but deserves mention. Last year, Congress adopted a Customs Simplification Act, which will not only ease the procedures by which foreign goods enter the United States, but reduce duties on many of them. But perhaps the strongest indication of Mr. Eisenhower's liberal trade policies is his attitude on requests for added tariff protection. He has rejected several proposals for upward revision of tariffs on imports which were claimed to threaten American industry with "injury". Of six such "Escape Clause" recommendations made in 1956 — by itself a modest number — the President turned down five. The continuing liberalization of U.S. trade policy has been a gradual, and thus at times a slow process. But the more important fact is that steady progress has been made — and sometimes in the face of vociferous protectionist opposition.

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The Business World

PROGRESS OF BICYCLE INDUSTRY

THE bicycle industry in India has justified the protection it has been enjoying for the last ten years. Its progress has been spectacular. Today there are as many as 18 large-scale units with an annual capacity of 1,273,500 bicycles against 2 units with a capacity of 120,000 in 1950-51. Four more units have been licensed recently with a total capacity of 234,000 cycles. Besides, there are 41 small-scale manufacturers with a sanctioned capacity of 219,000 and nearly 500 factories which manufacture only parts and accessories. Corresponding to the rise in installed capacity, production has increased considerably during the period of the first Five-Year Plan. During 1956, 660,000 cycles were manufactured by 14 units as against 101,000 in 1950-51. The demand has, however, all along outstripped supply so that more than a lakh of bicycles were imported in the first eight months of the current financial year. The progress of the industry in the first Plan is given in the table below:

Year	Numbers Produced ('000)	Numbers Imported ('000)
1950-51	101	166
1951-52	120	283
1952-53	211	198
1953-54	289	90
1954-55	401	89
1955-56 (Estimated)	550	130

When the first Plan was formulated, it was expected that demand at the end of the Plan period would be met entirely from indigenous production and that there would even be a surplus of 30,000 cycles to be exported in the last year of the Plan. It is evident, therefore, that although the production target has been exceeded, demand has surpassed all sober estimates. It is expected, however, that a beginning will be made in 1956-57 in exporting Indian made bicycles to neighbouring countries on a competitive basis. Meanwhile, the internal offtake is estimated to rise to about 11 lakhs at the end of the second Plan as a result of an increase in the standard of living, expansion of trade and construction of new roads within the country and a possible fall in the price of mass-produced bicycles with indigenous components. Thus the total requirements of cycles will rise from 6.8 lakhs at the end of the first Plan to 12.5 lakhs by 1960-61.

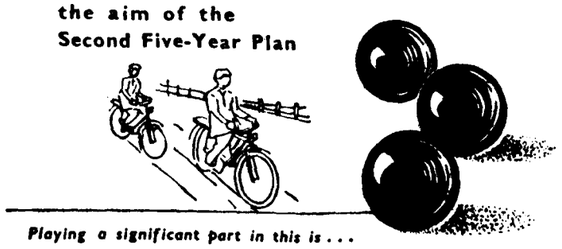
The greatest handicap of the industry hitherto has been the dependence on foreign sources for essential materials. The estimated value of imports of bicycle components and accessories at Rs. 175 lakhs in 1955-56 was more than half the total consumption by the manufacturing units. It is gratifying that many of the ancillary services are being built up and the industry is less dependent now than before on imports. In fact, it is a condition on the new units licensed that they will not be permitted to import more than Rs. 24 worth of components per bicycle even in the initial stages. Today most of the larger units which turn out complete bicycles also manufacture, or are expected to manufacture, a good number of parts. Self-sufficiency in steel tubes is now within sight and will be attained when the Indian Tube Company Ltd. of Calcutta and Tube Products of India, Madras start production to supplement the production of the two established manufacturers, Godrej and Boyce and Premier Automobiles. Steel strips will be produced by Indian Tube Co. and J. K. Iron and Steel Company. Though the manufacture of special steel is receiving the attention of the Government, the probability is that it will have to be imported even at the end of the second Plan.

Cycles produced in this country have yet to go some way before their productive potential and manufacturing costs are improved. A decade of high tariff protection finds Indian prices comparatively high and quality rather poor. A comparison of the c.i.f. prices of imported vehicles and the wholesale prices of the same category manufactured in India shows that the cost of production is considerably higher in India than in England and other European countries. The causes of the price differentials have been recognised by the Tariff Commission in earlier enquiries. If, therefore, the industry is to be assured of steady expansion and development of an export market sustained efforts should have to be made to improve its competitive strength. The question of continuance of protection beyond December this year has to be examined in this context. The steps to be taken to reduce the prices of Indian cycles are engaging the attention of the Development Council which was constituted is 1953 and success in this direction is being achieved steadily. During recent years the selling prices of bicycles manufactured in the country were revised progressively. The premier producer, Hind Cycles, has given a reassuring lead in this respect. The Development Council has also made various recommendations to maximise production and improve quality.

An important aspect of the bicycle industry is that there is a number of small-scale units scattered all over the country, a large proportion of which is in upper India. While some of them are well organised and have modern equipment and trained technicians many are small proprietory concerns. Though the products of these small concerns are often sub-standard they are absorbed locally on account of their cheapness. In recent years, however, the small manufacturers have improved their production techniques and quality considerably in order to compete with the organised factories. The Development Council has suggested that raw materials of correct quality should be made available to small-scale units and that they should have the advantage of bulk purchases. Adequate technical help is also necessary if they are to make substantial progress.

The question of continuance of protection beyond December 1957 has been taken up for investigation by the Tariff Commission. In his inaugural speech at the opening of the enquiry, the Chairman Mr. Damle made an able survey of the progress recorded by the industry. There can be no doubt that on the score of its performance as well as from the viewpoint of its importance as a vehicle with fast increasing popularity protection will be continued.

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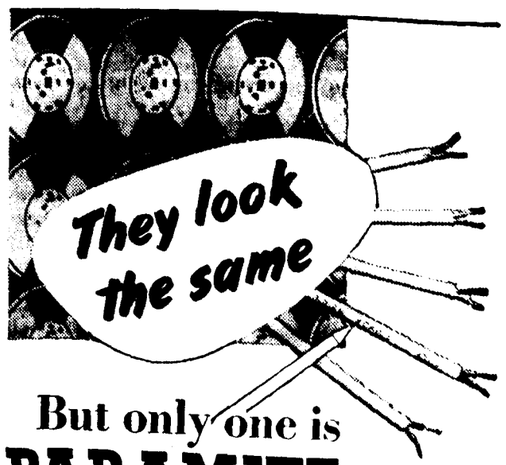
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BUSINESS NOTES

SECURITIES CONTRACTS REGULATION

THE COMING into force this week of the Securities *Contracts* (Regulation) Act, 1956, marks the first event of far-reaching importance to regulate throughout the country the business of dealing in securities and to create an organised and efficient securities market. It has been laid down in the Act that only stock exchanges recognised by the Central Government will be permitted to function. Recognition will be granted after the Government is satisfied that the rules and by-laws of the exchange ensure fair dealings and protection to investors. In the areas where stock exchanges operate, every contract entered into by any person not a member of the recognised exchange will be illegal under Section 13 of the Act. Where no stock exchange exists, the working is to be regulated by a system of licensing of persons who deal in stocks and shares. This Section will come into effect after the areas and States to which its provisions are to apply have been notified, which will be done after the necessary recognitions have been accorded. The monopoly of dealing in securities will rest with the officially recognised exchange in each region, which abolishes the Kerb market.

One immediate and important consequence of the enforcement of the Act is that all option dealings entered into after the commencement of the Act are declared illegal. This is calculated to check gambling speculation and promote genuine investment. Among other more important provisions is the one authorising the Government to call upon an exchange or a member to furnish all necessary information and to conduct a formal enquiry, if required.

It is fair to expect that by putting an end to all unauthorised transactions, a large element of stability will be imparted to the share market and unhealthy speculation will be curbed. While there may be no two opinions regarding the laudability of the objects of the Act, the real test of its value lies in how the Government exercises the vast powers vested in it. In order to allow the stock exchanges to function efficiently, it is imperative that the authorities should limit themselves to a general system of control leaving the exchanges free to manage their internal affairs. It is necessary that the Government should scrupulously avoid all chances of introducing regimentation in stock market dealings and should permit the exchanges to enjoy a full measure of autonomy and flexibility. This can be ensured if the reserve power to the Central Government to frame by-laws, in certain circumstances, after consulting the exchanges or powers like the taking over of the functions of the Governing Body of a stock exchange are used only after all other possible measures fail to bear the desired result.

INDUSTRIAL FINANCE

A WELCOME disclosure was made by Mr. K. R. K. Menon, Chairman, *Industrial Finance Corporation*, when he recently said at Madurai that a new scheme of issue of interim loans had been taken up by the Corporation. Under the scheme, if the Corporation is satisfied about the economics of a project and the security generally, and if it finds that half of the money intended for the purchase of machinery has been spent, it would give interim loans on a liberal basis. He also said that for augmenting the resources of the Corporation, certain proposals had been submitted to Government for consideration. There is thus some likelihood that it may go into the money market by issuing debentures. About nine years ago, the Corporation was brought into being with the object of providing finance to industry in such cases where it was not possible to raise necessary funds from the public by way of share capital. Even though this qualification has been ignored in some exceptional cases to provide funds to various enterprises, the operations of the Corporation cannot be termed more than modest. Since its inception up to the end of June last year, the Corporation had sanctioned loans totalling a little less than Rs. 44 crores, of which only about Rs. 17 crores had been disbursed, for reasons not always of the Corporation's making.

It may be argued that the Corporation has sanctioned all loan applications which answer the necessary requirements. But that is not entirely sufficient to allay the fears that in case there is a larger demand put up by the institutions needing funds, the Corporation may not be able to match the supply with the needs. Over the last three years particularly, there has been a progressive increase in the loan sanctions indicating a corresponding increase in demand. In 1955-56, the demand was almost double that of the preceding year, which should be expected to multiply in the future. For obvious reasons, the second Five-Year Plan has not been able to make a provision of more than Rs. 15 crores to increase the Corporation's resources, but the allocation seems to be all-too-meagre for the anticipated demand. Against this background, an appeal to the money market appears to be a good alternative in order that deserving enterprises may not have to starve for necessary funds. Another aspect of the Corporation's operations that calls for early attention is the necessity of modifying the formal procedure under which loans are given so that all the avoidable delay between the making of a loan application and the actual disbursement may be eliminated.

WORLD COTTON FACES BETTER SEASON

"ECONOMIC ACTIVITY in the United States is off to the favourable start generally expected for 1957", wrote our American Correspondent last week in his Economic Report from the U.S. An equally optimistic outlook is forecast not only for American cotton but also for world trade in that commodity. The most significant feature of the 1956-57 cotton season is the anticipated improvement in the relationship between aggregate supply and disappearance within the free world.

Inasmuch as the imbalance between supply and disappearance has been the major source of trouble in the international cotton world for the past several years, the importance of establishing a reasonable equilibrium between supply and demand in this behalf cannot be overemphasised. Analysing the satistical position of world cotton for the current season, the International *Cotton Advisory Committee, Washington*, points out that there is every likelihood that cotton supply would stabilise at around last season's level of 51.5 million bales. Of this, carry-over stocks on August 1, 1957 are expected to be a little over 22 million bales as against 20.6 million bales in 1955-56. The increase in carry-over, however, more than likely to be cancelled out by a decline in production from 30.9 million bales to 29.5 million bales. This decline in free world cotton production will be largely influenced by the extent of response in the U.S. to the Soil Bank Programme.

As regards disappearance, two factors, namely, "the impetus given to textile production by the present disturbed international outlook" and the prospects of a sizable increase in total free world exports, would work in favour of maintaining the tempo of disappearnce at a higher level than in the past seasons. In fact, at the recent outlook conference in the U.S. Department of Agriculture, the opinion was expressed that "consumption outside the U.S. might increase by about one

million bales which, after taking into account an expected slight decline in U.S. consumption, would result in a net increase in free world consumption of some 80,000 bales". In conjunction with this, when one remembers that there is a distinct possibility of the free world cotton exports, reaching the record figure of 13 million bales, it is easy to visualise that the rapid increase in supply since 1950-51 would soon be halted effectively — if it has not been done already — and accumulation of stocks would be a thing of the past. No wonder, therefore, that the I.C.A.C. comes to the conclusion that "although there are problems that are far from being solved, the world cotton situation is presently somewhat more hopeful than in recent seasons." It should also be noted here in favour of a better world cotton season ahead that "despite fear of a collapse in cotton prices, prices in most markets have shown a rising trend since the beginning of the season."

GROWTH OF RUBBER INDUSTRY

ENCOURAGING PROGRESS has been shown by the rubber industry in India in recent years. In 1956 production rose to 23,444 tons which was 4 per cent higher. But consumption is shooting up at a rapid rate. Over the last five years consumption increased by 50 per cent. Domestic production is expanding at a faster rate than until recently. During the five years it increased by 18 per cent.

A few months ago it was thought that manufacturers requirements by 1961 would be 40,000 tons. Mr. Cecil Stack, Chairman of the Association of Rubber Manufacturers in India, however, opines that consumption will reach 60,000 tons. Local production according to him is not likely to exceed 27,000 tons despite present plans to replant 70,000 acres in South India with better yielding trees. This replanting would take place over the next ten years and its benefit will only begin to be felt by 1963. While 100 per cent progress is envisaged in India over the next five years it is interesting to note that rubber consumption in the USA will rise by 35 per cent in the next nine years. A greater rate of progress is to be expected when one takes into account the fact that the per capita consumption of rubber in the United States was 20.7 lbs. whereas in India it was only 0.2 lbs. Figures for other countries are—China 0.3 lbs., Japan 2.3 lbs., Russia 3.8 lbs., West Germany 7.4 lbs. and UK 11.71 lbs.

The requirements of synthetic rubber are placed at 15,000 tons by 1961. It is pointed out, that negotiations are in progress for the establishment of a carbon black factory and also for the manufacture of high tenacity rayon yarn. If these plans materialise, the Chairman believes a considerable step forward will have been taken in making the industry self supporting in regard to its raw materials.

Research and technical development are very important for the rubber industry. It is heartening to learn that the Council of Scientific and Industrial Research is investigating the question of setting up an independent institute for this purpose. Since adequate finance is not readily available, as pointed out by the Chairman, it would be best that the work be carried out at one or more of the industrial laboratories already established in different parts of the country.

A PLAN FOR COCONUTS

AT THE meeting of the Indian Central Coconut Committee, inaugurated by Mr. S. Nijalingappa, Chief Minister of Mysore, at Bangalore recently, all the diverse aspects of the coconut industry, with particular reference to the imperative need to step up production, came up for detailed discussion. Emphasising the significance of the country becoming self-sufficient in its coconut requirements, Mr. M. S. Randhawa, Deputy Chairman of the Indian Council of Agricultural Research pointed out that it was high time that India ceased to be dependent on imports of copra and coconuts from Ceylon and Malaya. Elaborating the various measures undertaken by the Committee to enable India to become self-sufficient in this behalf, Mr. Randhawa remarked that a comprehensive scheme has already been launched, through the initiative of the Committee, to check widespread damage to coconut plants, arising from root or leaf diseases, especially in the State of Kerala which, since the reorganisation of the States, has become the foremost coconut growing region in India accounting for 10.8 lakh acres, with Mysore coming next with only 2.13 lakh acres under coconut cultivation! Thanks to Central assistance, it had been possible to spray the palms in question with effective pesticides and thus restore them back to life.

Mr. Randhawa stated that the total production target of seedlings for the nurseries, run by the Coconut Committee and its research stations and by the State Government was about 20 lakhs of which, so far, only 11 lakh plants had been produced at a total cost of Rs. 16 lakhs. In his opinion, the target of production of these nurseries should be raised by 100 per cent.

While recognising the need for self-sufficiency in coconut production, the Chief Minister of Mysore made a pertinent suggestion to the effect that the Committee should give loans to the coconut cultivator and make provision for return of this money in easy instalments. So far, only fertilisers were given as loan in kind but, of course, with the facility given to the grower to repay this in suitable instalments in the course of three years. Among the important resolutions adopted by the Committee at the meeting were recommendations for the abolition of the cess of four annas per hundred weight, collected at present on copra crushed in mills; the need to enlarge the area under coconut during the second Plan period; the appointment of an Expert Reviewing Committee to examine the work at the various research institutions; and the approval of a scheme to start a coconut nursery in each of the N.E.S. blocks in Kerala State.

HINDUSTAN AIRCRAFT EXPANSION

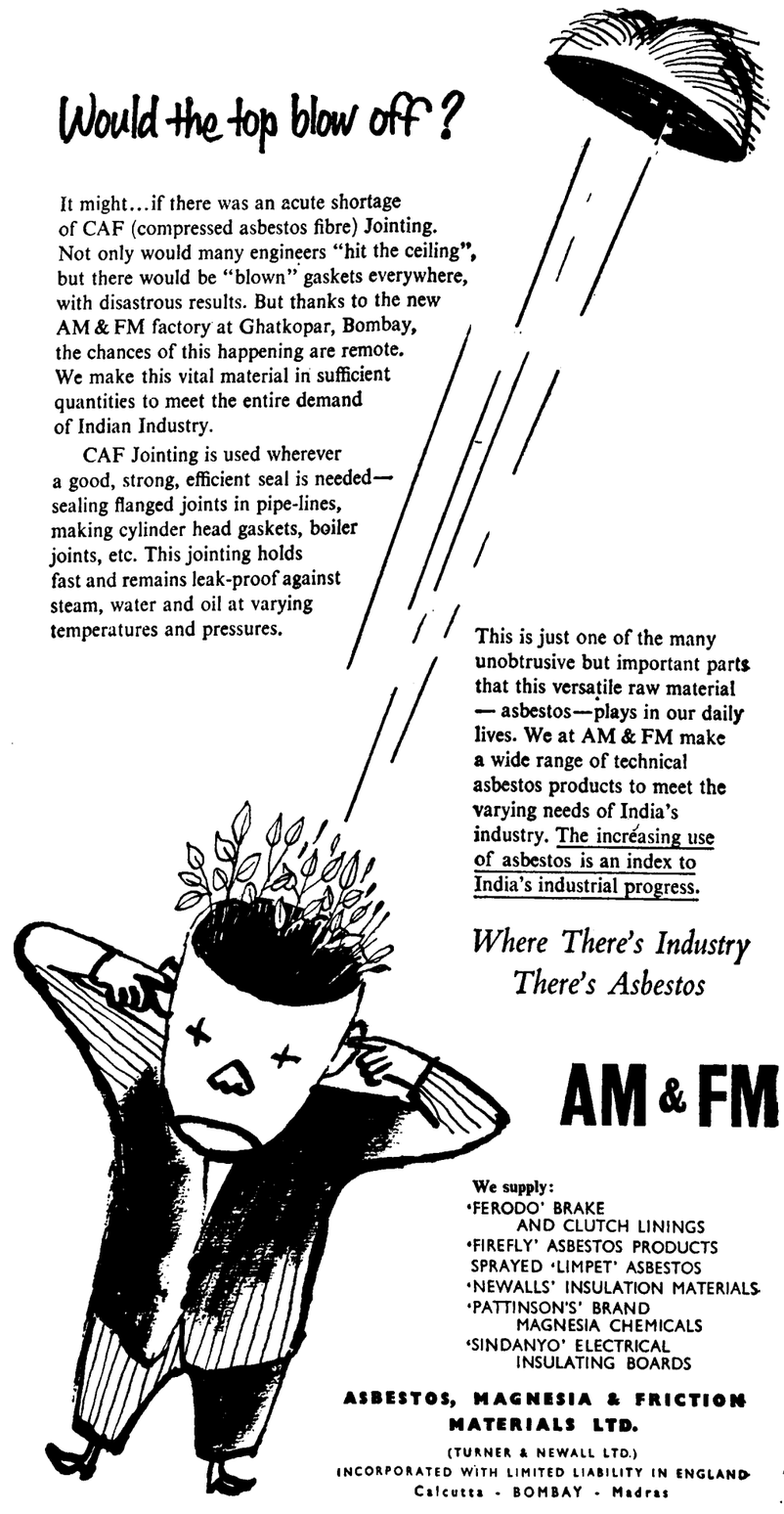
THE HINDUSTAN AIRCRAFT LIMITED, Bangalore, which will roll out its thousandth rail coach, some time in March, is busy not only maintaining its production schedule but also taking every step in the direction of further expansion. According to its Deputy General Manager, the target of rail coach production has been stepped up and it is expected that the factory would be able to produce one coach per day when the proposed plan to manufacture light-weight all-metal integral coaches, in collaboration with a leading rail coach manufacturing firm in Germany, is effectively put through.

In answer to a question put by Pressmen in Bangalore, the Deputy General Manager is reported to have disclosed that a new factory, for manufacturing coaches for the metre gauge, in collaboration with a foreign firm, has already been proposed by the Railway Board itself. It may be noted here that both the Hindustan Aircraft factory at Bangalore and the Perambur Integral Coach Factory at Madras are engaged in the production of coaches for the broad gauge only. Another disclosure — this is credited to the General Manager — is in relation to the drawing up of a blueprint for the production of transport planes, a scheme which is stated to be currently under the examination of a Committee appointed by the Government of India. Under this scheme, the Hindustan Aircraft is expected to enter into an arrangement with the Dutch firm of Fokkers-Friendship for the design and the technical 'know-how' necessary for manufacturing an ideal transport plane suited to Indian conditions.

Would the top blow off?

It might...if there was an acute shortage of CAF (compressed asbestos fibre) Jointing. Not only would many engineers "hit the ceiling", but there would be "blown" gaskets everywhere, with disastrous results. But thanks to the new AM & FM factory at Ghatkopar, Bombay, the chances of this happening are remote. We make this vital material in sufficient quantities to meet the entire demand of Indian Industry.

CAF Jointing is used wherever a good, strong, efficient seal is needed—sealing flanged joints in pipe-lines, making cylinder head gaskets, boiler joints, etc. This jointing holds fast and remains leak-proof against steam, water and oil at varying temperatures and pressures.



This is just one of the many unobtrusive but important parts that this versatile raw material — asbestos—plays in our daily lives. We at AM & FM make a wide range of technical asbestos products to meet the varying needs of India's industry. The increasing use of asbestos is an index to India's industrial progress.

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COMMODITY NEWS AND NOTES

IRON ORE BANDS IN PUNJAB

A two and a half-mile long iron ore band, containing an estimated reserve of over 2 million tons in Mohendragarh of the former PEPSU State, has been traced by the Geological Survey of India. Investigation reveals that the iron ore bands form the backbone as well as the flanks of a low ridge running north-south in Chhapra, Antri and Beharipur areas. At the north and south ends, the bands disappear under the alluvium and sands. An analysis of the samples of this ore carried out at the Geological Survey of India laboratory showed that the ore is good enough for conversion into pig-iron. The iron ore bands are massive, sometimes joined, and have almost uniform strike and dip. They stand out very prominently along with the crest of the ridge or along its flanks.

The Geological Survey also reports the existence of extensive reserves of good quality lime-stone in Dehra Dun-Mussoorie areas—not difficult of access from the Dehra Dun Railway Station in U.P. The quarriable reserves of lime-stones in the area are estimated to be of the order of 406 million tons.

PRODUCTION OF SUGAR

The All-India first estimate of sugar produced directly from cane in vacuum pan factories puts the current season's production at 19.38 lakh tons as against the actual production of 18.62 lakh tons during the previous season, according to the Directorate of Economics and Statistics, Union Ministry of Agriculture. This shows an increase of 76,000 tons or about 4 per cent in production during the current year as compared to the last year. The increase in sugar production has been shared by U.P. (51,000 tons) and Bombay (23,000 tons).

RECORD COAL OUTPUT

The output of coal from the existing collieries in January 1957 was 3,08,000 tons as against 2,62,000 tons during January last year. This is the highest production ever obtained in the last five years. Output of coal in the Bokaro coalfield in January, 1957, was 1,12,000 tons, which is the highest in any month since the process of departmental coal-raising was started.

FORWARD TRADING IN LINSEED

Forward trading in linseed will start shortly in Calcutta under the auspices of the Calcutta Wheat and Seeds Association, it has been announced. The Central Government by a resolution on November 19, 1955, recognised two associations, one in Calcutta and the other in Bombay to conduct forward trading in linseed under the Forward Contracts Regulation Act of 1952. It had earlier been banned under the Oilseeds (Forward Contracts Prohibition) Order of 1943.

IMPORTS OF CEMENT

State trading in cement was introduced with effect from July 1, 1956, and the distribution of indigenous cement as well as the import and distribution of foreign cement was entrusted to the State Trading Corporation of India (Private) Ltd. Through the efforts of the Corporation, over one lakh tons of cement were imported up to the end of January 1957. It is expected that a further quantity of about two lakh tons will be imported by the end of August, 1957.

U.S. STEEL PRODUCTION

United States steel producers are lowering their 1957 production sights. Industry executives disposed in early January to predict a record-breaking performance this year, are now more inclined to believe that the mills will do well to equal the previous peak of 117 million tons reached in 1955. Output last year fell to 115.2 million tons. Chief reason for the change in sentiment is a disappointing volume of motor-car purchases, it is stated. Consumer demand for 1957 model motor-cars has been below Detroit hopes and Detroit, in turn, has cut its steel orders.

BRITISH CATTLE FOR RUSSIA

As the result of a deal between Soviet Government farming experts and British breeders of Hereford Cattle, 43 pedigree Herefords are going to Russia. The 24 bulls and 19 heifers will be used by the Russians to improve the standard of beef cattle. The fact that heifers are included in the shipment suggests that the Russians are also establishing pedigree Hereford herds.

JAPANESE MOTOR OUTPUT PLANS

Japanese production of passenger cars, trucks and buses in 1956 reached an estimated 113,000 — 60 per cent more than the preceding year. Producers expect an additional 30 per cent rise in output this year, to 95,000 three-wheel trucks, 3,000 four-wheel trucks, 45,000 passenger cars and 6,500 buses. Exports of three-wheel trucks soared to 1,700 last year, compared with only 151 in 1955. China alone purchased 800 and the major producers hope to increase sales to Peking to 10,000 vehicles yearly.

RECORD COFFEE PRODUCTION

The recently revised current coffee crop estimate stands at just under 38,000 tons — an all-time record for India, it is stated. The prospects for 1957-58 at the moment are stated to be bright though rains in some parts are reported to have hindered the picking of the crop resulting in dropping of fruits to a slight extent. In the light of the recently revised estimates for 1956-57 crop, the exportable surplus out of this coffee crop is now placed at 11,000 tons.

WORLD'S COTTON CONSUMPTION

The International Cotton Advisory Committee has pointed out that world consumption of cotton during the year ending July 31 is expected to reach a new record high of 39,300,000 bales. This would be about 1,500,000 bales over the previous record set last season. At this level, world consumption would slightly exceed the world's production for the first time since the 1950-51 season. It said that significant increases in consumption this year were expected in Japan, India, France, Italy, Western Germany, Pakistan, Turkey, Mexico and Argentina.

U.S. NEWSPAPER SALES PEAK

Newspapers in the U.S. had their greatest circulation last year, with 57 million copies sold daily—an increase of almost 1 million over 1955.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	308.1	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
July 1956 ..	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
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
Week Ending										
15-12-1956 ..	418.5	519.5	416.4	386.6	589.3	430.4	89.7	100.0	80.9	117.0
22-12-1956 ..	416.7	522.3	416.3	388·6	590.6	430.7	89.7	100.0	80.5	115.2
29-12-1956 ..	392.0	520.2	415.8	387:1	589.3	421.9	89.7	100.0	80.2	114.5
5-1-1957 ..	382.4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80.3	113.4
12-1-1957 ..	389.0	522.0	413.0	386.1	594.0	421.0	89.7	100.0	80.5	112.6
19-1-1957 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7
26-1-1957 ..	399·7	533·7	413.1	386.6	588.6	425.8	89.8	99.4	80.5	115.1
2-2-1957 ..	407.0	527.0	412.9	386.9	588.9	427.3	89.8	99.1	80.1	114.7

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927= 100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936= 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	139
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 February	321	337	224	137	315	394	385	142	333	146	132	132
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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	—	—	—	151	356	436	—	—	370	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	15-2-1957			8-2-1957			1-2-1957			25-1-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	109- 7	107-14	108-11	108-12	107-14	108- 4	108- 6	107- 1	107-13	108-15	107- 1	107-15
Silver (per 100 fine tolas)	186- 3	183- 1	184-15	187- 6	184- 8	185-14	185-11	183- 8	184-15	185- 5	181-13	183-13

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,48	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,48	1,135,32	1,179,74	92·53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75·43	42,96	265,62a	1,253,86
	(5,58).	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59·59	56,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58·31	57,21	488,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54·64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52·89	80,22	8,08	1,142,72
1953-54* ..	1,133,95	23,02	1,156,97	40,02	594,03	634,04	54·80	92,83	,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	642,81	689,83	56·58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51·35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	22,22	1,518,82	40,02	662,53	702,55	46·25	105,59	710,68	1,519,80
July ,, ..	1,465,35	21,91	1,493,26	40,02	624,16	664,18	44·51	109,49	718,59	1,492,26
August ,, ..	1,446,16	27,31	1,467,41	40,02	610,68	650,70	44·48	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43·64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39·42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39·58	121,92	760,48	1,460,19
December ,, ..	1,465,68	8,76	1,474,39	117,76	447,36	565,06	37·93	123,93	785,35	1,474,39
Week Ending										
11-1-1957 ..	1,495,21	13,16	1,508,38	117,76	447,30	565,06	37·46	123,06	820,25	1,508,38
18-1-1957 ..	1,490,00	17,66	1,508,55	117,76	442,33	560,09	37·12	123,23	825,22	1,508,55
25-1-1957 ..	1,485,52	23,56	1,509,08	117,76	427,43	545,19	36·12	123,77	840,13	1,509,08
1-2-1957 ..	1,494,02	14,55	1,508,57	117,76	412,52	530,28	35·15	128,26	855,03	1,508,57
8-2-1957 ..	1,519,65	7,01	1,526,66	117,76	412,52	530,28	34·74	121,34	875,03	1,526,66

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	1,26	43,12	26,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,36	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,62	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	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,96	19,09
Week Ending														
11-1-1957 ..	54,00	4,94	56,25	13,11	128,30	136,44	274,76	13,36	1,97	80,30	8,00	106,60	44,48	14,44
18-1-1957 ..	50,71	7,03	52,98	13,29	124,01	141,39	275,40	17,86	91	81,24	8,42	102,61	49,70	14,70
25-1-1957 ..	51,46	13,33	51,76	12,68	129,23	142,64	281,87	23,78	1,11	83,18	7,48	102,19	49,62	14,52
1-2-1957 ..	52,35	16,08	54,44	13,40	136,87	143,87	290,75	14,74	1,42	93,84	6,25	108,46	51,43	14,61
8-2-1957 ..	51,01	13,53	50,70	41,79	157,03	143,77	310,80	7,19	1,15	122,16	6,27	124,22	36,72	13,08

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
April 1956 ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150,94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153,08†	71.64	354,35
June ,, ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
11-1-1957 ..	653,16	456,84	1,103,36	35,21	50,72	7.79	645,46	162,97†	73.27	362,42
18-1-1957 ..	666,36	458,91	1,116,75	36,48	48,32	7.59	649,67	166,20†	73.06	362,12
25-1-1957 ..	670,83	462,30	1,123,77	33,06	50,05	7.40	657,07	168,96†	73.51	361,64
1-2-1957 ..	679,75	464,40	1,134,89	34,36	51,63	7.58	669,14	171,58†	74.08	361,27
8-2-1957 ..	676,25	463,82	1,130,96	35,91	48,78	7.49	688,39	167,86†	75.71	360,94

• 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	1,505,09*	679,23	667,22	12,01	+263,69
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10,54	—26,78*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

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

Source: Monthly Bulletin of Reserve Bank.

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	85
1951	89	89	97	97	104	100
1952	94	97	99	100	101	102
1953	100	100	100	100	100	100
1954	106	102	100	99	100	100
1955	105	106	100	98	100	104
1955 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	105
December	103	110	100	98	101	106
1956 January	104	109	100	98	102	106
February	105	109	100	99	102	107
March	106	111	100	99	102	108
April	106	112	100	100	103	108
May	106	112	101	101	104	108
June	106	112	102	101	104	108
July	105	113	102	101	104	108
August	106	112	102	102	104	108
September	106	112	102	104	105	109
October	—	112	103	104	105	109
November	—	113	103	105	105	109

† Finished goods only.

Source: U.N. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate		Area: Acres ('000)	Area: Increase +or decrease —over the corresponding estimate of the previous year (per cent)	Yield: Tons ('000)	Yield: 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	29,225	+6.2	8,348	—4.9
Jowar	Final	1955-56	42,721	—1.7	6,940	—23.7
Bajra	Final	1955-56	27,025	—3.4	3,400	—0.6
Maize	Final	1955-56	8,909	—4.3	2,519	—14.3
Gram	Final	1955-56	5,007	—1.5	1,844	+12.0
Barley	Final	1955-56	8,145	—2.0	2,721	—5.2
Gram	Final	1955-56	22,862	+3.9	4,865	—9.8
Sugar cane	First	1956-57	4,717	+16.0	..	
Oilseeds						
A. Edible—						
Sesamum	Second	1956-57	4,011	—6.3	..	..
Groundnut	First	1956-57	8,955	+16.0	..	..
Rape & Mustard ..	Final	1955-56	6,262	+3.9	832	—18.3
B. 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:						
Sanskon	First	1956-57	14,602	+10.8	..	..
Jute	First	1956-57	1,884	+14.7	..	..
Other Crops:						
Tobacco	Final	1955-56	921	+8.9	259	+6.1
Potato	Final	1955-56	693	+5.3	1,839	+5.9

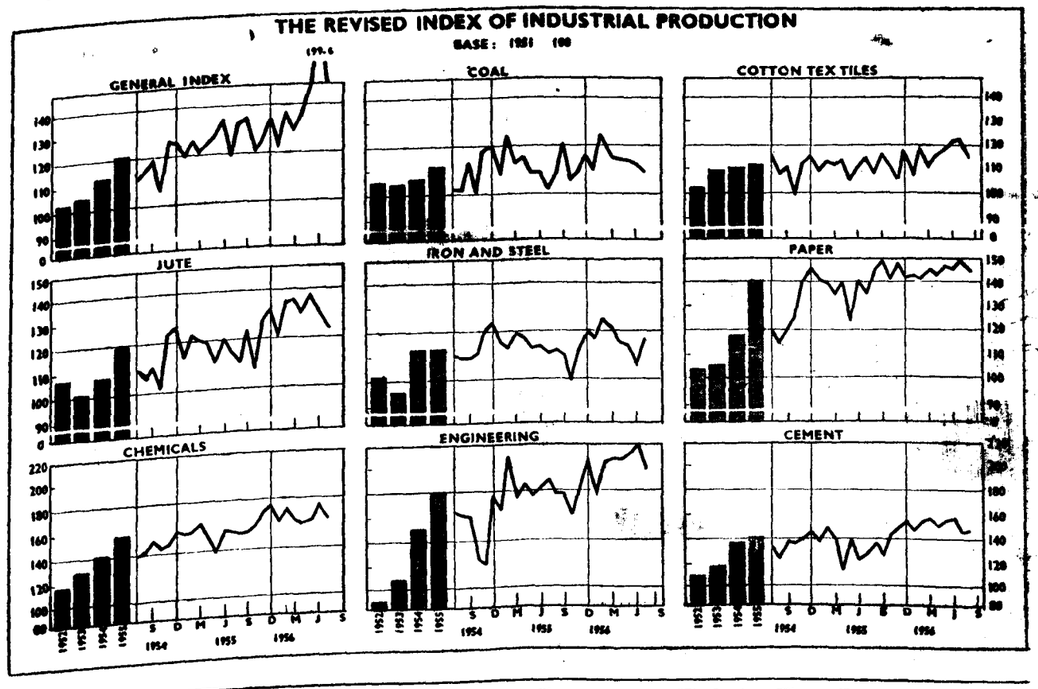
Source: Ministry of Food and Agriculture.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal	Cotton Textils: Total	Cotton Textils: Yarn	Cotton Textils: Cloth	Jute	Chemicals	Cement	Iron and Steel	Gen.* Engineering	Paper	Sugar	Tea	Electricity
		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	102.0	127.6
1955 ..	122.1	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	105.2	131.2
February 1955	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	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	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	156.6	137.6	112.0	179.3	148.2	412.4	104.6	141.9
September ..	134.2	119.7	115.4	121.5	112.3	123.7	165.3	129.3	110.1	181.0	149.7	349.3	106.4	148.9
October ..	121.9	105.9	112.8	118.8	109.7	107.8	160.6	144.2	100.3	160.7	142.1	210.7	103.4	144.5
November ..	126.1	109.8	107.9	114.9	104.4	128.2	170.9	151.2	113.3	182.8	147.7	213.2	117.0	150.3
December ..	132.7	116.2	120.7	126.0	118.0	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	116.7	179.3	142.9	133.2	115.2	152.3
February ..	134.2	123.5	118.9	123.3	116.7	135.2	173.0	155.7	125.0	204.0	141.7	127.2	122.8	161.2
March ..	128.6	115.7	111.0	115.2	108.9	135.6	163.9	159.1	121.5	206.5	144.9	151.3	97.0	160.9
April ..	134.7	114.6	115.2	118.6	113.5	132.3	165.2	150.8	116.6	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	108.7	212.7	147.4	601.3	111.4	166.1
June ..	199.6	113.6	121.7	123.7	120.7	139.7	174.0	158.4	105.1	220.1	145.5	1,664.4	115.8	165.5
July ..	152.6	108.9	122.3	126.2	120.3	129.4	166.4	146.1	116.4	219.9	149.9	590.2	123.8	160.5
August ..	133.1	113.8	114.9	120.7	112.0	123.7	171.4	146.8	117.7	227.6	145.5	194.8	115.0	159.6
September ..	145.8	111.1	125.8	130.5	123.4	120.9	171.6	152.8	116.9	226.2	149.1	353.4	112.2	168.9
October ..	..	109.3	116.2	122.4	113.2	111.8	..	188.1	..	..	143.4	231.7	104.8	..

* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.



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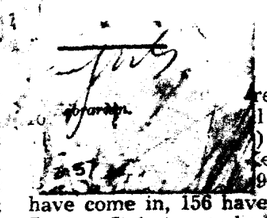
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Election

INDIA'S second General Elections are just under way in stages from the Cape to the Himalayas. And the Congress Party, by all accounts, is headed for a massive victory at the hustings. A nationwide Gallup Poll, carried out for the first time in the country, has predicted a 53 per cent popular vote for the Congress and a bigger majority of seats for that Party in the Lok Sabha (Union House of the People). Already the Congress has won 12 parliamentary seats without contest and it is not improbable that the Party will score a majority large enough to invest it with the capacity to change the Constitution, if and when it so desires in the next five years.



ress, the results are known l batches of Vidhan Sabha) constituencies in all the erala, Madras and West 96 seats for which results have come in, 156 have been won by the Congress Party. It is too early to say whether there will emerge absolute majorities for the ruling party in *all* the States, for the elections will be completed only by the middle of March. Already the vaunted Communist stronghold of Telengana in Andhra Pradesh has voted a Congressman to that State's Vidhan Sabha and enabled his party to have an absolute majority. This trend will

probably continue even in the problem States of Kerala and West Bengal where the Communists have been particularly stronger than elsewhere, for the announcement of results in respect of one batch of constituencies before another batch goes to the polls is more likely to have a bandwagon influence in favour of the Congress than to spur the opposition parties on to further effort. But so long as there are imponderables in the matter of voters' turnout, two or three States not excluding Madras may have some surprise in store. Perhaps a larger turnout may help the Congress even in the problem States.

Even if the Congress should fail, by any chance, to get an absolute majority in the problem States, it would not materially affect that nationwide political stability the party has been able to establish. As political stability is the *sine qua non* of progress in an underdeveloped economy, the next five years, at any rate, may well be crucial not only for the success of the second Plan but for the flow of foreign private capital into India. Mr. Hollister's view that ultimately India should be the place where substantial US private capital should be used, appears to have been expressed in full awareness of the present and prospective political stability of the country.

This is good in so far as it goes. But stability without a constructive democratic opposition to the ruling party is not a happy prospect from a long-term point of view. The three national parties opposing the Congress have virtually nothing in common and they will continue to speak in three different voices in the next five years in the Lok Sabha and in the respective Vidhan Sabhas. Anything like a homogeneous opposition that could develop a formidable national challenge to the Congress Party in the third General Elections may have no greater chance of emerging in the next five years than it has had in the last. Whatever be the grandiose programmes the three parties (the Praja-Socialist Party, the Communist Party, and the Jan Sangh) have just presented to the electorate, they will be only of academic interest and least likely to have any constructive effect on the ruling party's policies and programmes. Even when the Congress leaders proclaim that they will always welcome constructive criticism, they *still* want only constructive praise. But even here the opposition parties, bitter as they will be, may have little contribution to make.

As Mr. Nehru and his team of sub-leaders may be expected to brush aside contemptuously carping criticism and servile flattery alike, a judicious mixture of constructive praise and constructive criticism alone may have a reasonable chance of influencing policy and legislation on liberal lines. Neither the Jan Sangh nor the Communist Party can measure up to the role of a responsible opposition which will realise that if it is human nature to criticise, it is also human nature to resent criticism. The Jan Sangh with its distorting emphasis on religious or communalist factors is incapable of developing a constructive economic programme and the Communist Party, however plausible its 'democratic' programme may be currently, is basically undemocratic in the sense that it is not wedded to upholding parliamentary democracy with its inherent methods of bringing about social change non-violently and constitutionally. The only opposition party which can conceivably advance criticism in such a manner that the Congress leadership would not resent it very much is the Praja-Socialist Party.

Mr. Nehru himself appeared at one time to have entertained the hope that the P.-S.P. would so fashion itself. If the Congress Party's greatest strength lies in its nationalistic fervour and emotional radicalism, the P.-S.P.'s greatest asset is to be found in the intellectual powers of its logical and radical thinkers—an asset that should stand that Party in good stead in the Lok Sabha and in some significant Vidhan Sabhas. The only requirement is that if a keen intellect and an impeccable logic are to be really effective, they should be leavened with a little humanism and liberal moderation in deference to the sensitivity of Congress leaders who, after all, have made this country a going concern.

While thus it is theoretically possible to think of the P.-S.P. as a constructive and responsible opposition which, in the fullness of time, may come to form an alternative government, it is amazing that Mr. Sriman Narayan, General Secretary of the Congress, should have added a jarring note to the dignified controversy between the two most popular leaders—Mr. Jawaharlal Nehru and Mr. Jayaprakash Narayan—on the need for and the role of an opposition in a parliamentary democracy such as India's. (Incidentally, according to a popularity rating of the recent pre-election poll, nearly 85 per cent of the people have a very good or good opinion of Mr. Nehru and nearly 40 per cent of them have a similar opinion of Mr. Jayaprakash). Mr. Sriman Narayan's preposterous contention is that "underdeveloped countries like ours can hardly afford the luxury of Opposition only for the sake of opposition."

The General Secretary of the Congress speaks of, what he calls, "certain compulsions of an underdeveloped economy" as if they were solely reflected in the urges of the Congress Party alone. "One of these compulsions", he says pontifically, "is that all well-meaning individuals as well as groups should try to pull on together and frame common national programmes". And he believes, therefore, that the parliamentary system of democracy is not very suitable for countries like India which must give the highest priority to their plans of economic development. It would be a distortion of history and current reality alike not to tell that the advanced economies of the West were at one time underdeveloped and that their economic advance has been coeval with the advance of their distinctive democratic institutions. If the basic compulsion of an underdeveloped country is related to economic progress, there is all the more reason why such a country should not be allowed to degenerate into a political totalitarianism. Here the inherent checks and balances of a parliamentary democracy alone can stand in the way of such degeneration. What is eminently required is a basic unity of purpose in regard to social and economic advance between the ruling party and the opposition in a liberal democracy. There is no reason to believe that such a basic unity of purpose does not obtain in India as far as the Congress and the P.-S.P. are concerned. There can be unity in diversity in the politics of an underdeveloped country like India wherein economic progress has become the common plank of all democratic parties by the compulsive logic of circumstances. The unity is there. One wonders why Mr. Sriman Narayan should be groping in the dark of his own fancy.

A Democracy on Trial

PRESIDENT SUKARNO has announced a new plan for Indonesia which is enmeshed in a continuing political crisis and riddled with army revolts. He has suggested the disbandment of the present parliamentary institutions as they are "not suitable" for the Indonesian people. He has supported his assertion by referring to the continued instability of the country's Government which has bedevilled the Indonesian body politic and thwarted economic development during the last eleven years. His own constitutional recipe is "guided democracy". Under it there will be a "Cabinet, representing all parties" and a "National Council". They will work side by side, the Council advising the Cabinet whether or not it was asked for advice. It is not clear whether the President himself will preside over the Cabinet (as he is to 'head it'), or whether the office of Prime Minister is to be retained. Nor is it clear whether the new Cabinet will be responsible to the President or the "National Council". The Council would be composed of representatives of workers, peasants, intellectuals, "national enterprises", Protestants, Catholics, Muslim scholars and women, besides "the 1945 revolutionary generation", the provinces, the army, navy and air force chiefs of staff, the police, the attorney general and senior Cabinet Ministers.

There is much to be said for the President's argument in favour of his drastic measures for curtailment—if not elimination—of democracy in the country, threatened with chaos. But all this does not prove that the reform plan that he has in view is the right means of forging national unity and ensuring sovereignty of the people. His plan side-steps the main causes of the political crisis. They are: military revolts, regional rivalries and corruption in public life.

Almost in the wake of two "armed interventions" by the Dutch, who tried to put the clock of nationalism back, came the Communist revolt in Madiun in September 1948. It was put down by the young republican government successfully. But soon after, Kartosuwirjo, leader of the Dar-ul-Islam, a fanatical Muslim movement, raised his standard of revolt in west Java. He has been fighting his compatriots ever since; his forces are still active even in the outskirts of Jakarta. The Dar-ul-Islam movement has spread from west Java to Achin, the northernmost part of Sumatra, and to south Celebes.

In May 1950, that is eight months after the Dutch grudgingly transferred sovereignty, the south Moluccan "republic" proclaimed its independence in protest against the Central Government's decision to scrap the federal constitution. In August 1956, when the federal constitution was actually torn up and Indonesia declared a unitary republic, revolt broke out within two months in the Celebes, and still continues. That the demand for local autonomy is not without substance or force is shown by the fact that last year, Sumatra provided 71 per cent of the value of Indonesia's total exports, and received only 10 per cent of imports as against Java which produced 17 per cent of the exports and received 75 per cent of the imports. Attempts to introduce settlers from overcrowded Java have also been bitterly resented by the inhabitants of Sumatra.

To the problem of regional feeling is added the insubordination of the army. The general staff, or at least the professional officers, have been at loggerheads with the Government. The proposal for the reduction in the strength of the army, largely consisting of former guerrillas is not popular with the politicians. The latter fear that the disbanded guerrillas might live by banditry as indeed some have done. At the same time, however, the national finances are under the fearful strain of maintaining so large a force for political reasons.

Taking advantage of the political instability and righteous wrath of the people against corruption, maladministration and a desire for a strong man's rule, some adventurers among army have revolted time and again. Only last August, Colonel Kawilarang, who was then commanding in west Java, made an unsuccessful attempt to arrest the Foreign Minister Mr. Abdulgani, on charges of corruption. Since then, two army officers, Colonel Simbolon, commanding at Medan in north Sumatra and Colonel Hussein, commanding in central Java, have revolted. It was these revolts that led to the rapid disintegration of Mr. Sastroamidjojo's Government, especially after the Masjumi withdrew itself from the coalition. For its continued existence his Government has been dependent upon the Communist support.

The General Elections, held in September 1955, did not improve matters. Though of the 190 parties which took part in the elections, only 29 received representation in the 260-member Parliament, two depressing features of the results ought to be recalled. The communal parties like the Masjumi, the Nahdut-ul-Islam, the Sareket Islam, Perti, etc., annexed 114 seats as compared to the 101 seats won by the non-communal Nationalist Party, the Communist Party, and the Socialist Party. The Communists polled nearly six million votes, that is comparatively more than any other Communist Party outside the Iron Curtain.

Thus, the troubles in Indonesia cannot be put down to the failure of the party Government but to the frequent revolts of the army and the demand for regional autonomy. It is, therefore, difficult to see how Dr. Sukarno's plan of "guided democracy" can resolve the present crisis. His decision to invite the Communists to participate in the new Cabinet and the National Council is sure to alienate the Masjumi Party and strong elements in Sumatra further. That the Communist Party should have already pledged full support to Dr. Sukarno's plan has sinister implications: participation in the Cabinet will give it a chance for subversion on the Czechoslovakian model. Further, it is difficult to see how the forcible merger of all political parties into one will lead to the disappearance of inter-factional differences. It is also not clear how the Presidential rule will be less open to factional pressures or better qualified to solve the problems of reconstitution of the army, regional autonomy, etc. To achieve national unity, which is obviously Dr. Sukarno's objective, it would have been much better to aim at unity of purpose. This might be done by resort to a national plan for reconstruction, by granting autonomy to the various units, and by starting immediately a campaign against corruption. India's successful march on the road to democracy could have been followed with profit. The road that Dr. Sukarno has chosen threatens to distort democracy beyond recognition.

Technical Manpower

THERE has been no lack, on the part of the Government, of real appreciation of the dimensions of the problem of technical manpower in the second Plan. An ambitious programme of industrialisation is bound to exert great pressure on the available and prospective resources in technical personnel. It was not to be expected that a manpower budget should be prepared with meticulous estimates to procure the outturn of trained technicians after the totalitarian pattern. Nevertheless, the broad magnitude of the requirements has been gauged. For the three steel plants in the public sector alone, the demand in respect of technicians below the grade of foremen is placed at 15,000, while in the case of supervisory staff of the foremen rank and above the estimate is not below 2,100 including 120 senior engineers capable of assuming responsibility for direction at higher levels. Part of these requirements is being met by special arrangment. The two steel plants in the private sector which have embarked on bold programmes of expansion will need manpower on a substantial scale. This is only a typical case of the heavy pressure which threatens to strain existing and potential availability. Over a wide range of industries at all levels, the demand for technicians will obviously go on increasing. The Engineering Personnel Committee which has investigated this question thoroughly has arrived at the matter-of-fact conclusion that, even on the assumption of hundred per cent implementation of its recommendations, the shortage in 1961 would be of the order of 1,800 engineers and 8,000 technicians. No time should be lost in giving concrete shape to its proposals.

The Committee's approach to the issue of expanding the facilities for training aims at ensuring immediate results through a structure of institutions which will show enough flexibility to respond to the higher demand that is certain to ensue after the period of the present Plan. It was urged that the establishment of 80 new institutions—18 engineering colleges and 62 polytechnics—is the minimum programme that must be taken in hand. Additional training facilities are recommended to be achieved by stepping up by the capacity of 19 existing colleges by 20 per cent and of 46 polytechnics by 25 per cent. These latter limits took cognizance of the current heavy pressure which is straining training capacity to the utmost. This is a sphere which admits of little choice of alternatives. Nevertheless, the final outcome to be reflected in Government's policy was far from clear until a month ago. The Education Ministry and the Planning Commission were still said to be in quest of short-cuts, inspired among other factors by consideration of economy in expenditure. In fact the alternative plan which they had under close scrutiny promised a saving in outlay of 25 per cent. Three new colleges and 27 polytechnics set the limit to additional institutions in this plan, while training capacity was to be extended in the existing institutions by two-shift operations intended to double the number of admissions, and possibly to treble it in some polytechnics, to secure an outturn which would be in excess of the target of the Committee by over 260 for engineering degree-holders and 680 for technicians holding diplomas. Expansion of the teaching staff was envisaged at the medium and lower levels. The entire scheme was less than convincing and on the score of quality of instruction and possible calibre of trainees its efficacy was doubtful.

The phase of deliberations was brought to a positive close at last week's session of the All-India Council of Technical Education. The Council has endorsed the proposals of the Engineering Personnel Committee with certain modifications. At the college level five new institutions are to be set up, one each in Andhra, Assam, Madhya Pradesh, Orissa and Punjab, presumably with a view to redressing the regional imbalance. The scheme of polytechnic institution, however, has been altered substantially and here the bias is clearly in favour of raising the supply of technicians at the lower level. Twenty-two new polytechnics and 61 junior technical institutions constitute the new set-up. It is likely that the distribution of new polytechnics will fail to satisfy regional requirements and in any event the total omission of Bihar, Madras and Orissa in the allocation in this category may be difficult to reconcile with their needs. The network of junior technical institutions is planned deliberately to bestow special attention on some States which demand it by reason of their industrial backwardness or rising unemployment. Rajasthan and Kerala illustrate the two objects behind the allocation. The exclusion of Andhra, Madras, Mysore and Uttar Pradesh from this class does not argue for ensuring the regional balance in the provision of new facilities. In addition to these institutions, the existing capacity is to be enlarged as suggested by the Committee. The three remaining higher technological institutions and selection of 15 colleges for post-graduate courses complete the plan for higher education. The aggregate outturn expected after this whole expansion is put through, is estimated to be 7,500 engineering graduates and 15,000 diploma-holder technicians per year.

The pace of expansion of institutional facilities for technical training is conditioned by the availability of teachers. In fact, this has often proved a great limiting factor not merely in under-developed countries. The bottleneck is two-fold—as regards numbers and calibre. It is a consequence of post-war development of industry that technical talents are attracted to it by competitive remuneration and the prospect of accelerated promotion as a reward for efficiency. Technical institutions can hardly provide these incentives on the same scale. The new plan for technical education provides for the creation of a pool of trained teachers to be augmented by means of fellowships in selected institutions with an obligatory course of practical training in industry. For students, too, training at the factory level can never be substituted by laboratory or workshop courses in the institutions prescribed as part of the regular curricula. Stock criticism is usually levelled against the quality of technicians that their education is academic in nature and it does not qualify them fully for immediate service. It would be less than fair to lay the blame completely at the door of those responsible for running the institutions. Industry surely owes an obligation to the community, and also to itself, to provide opportunities to trainees for practical instruction in production techniques in factories. Maulana Azad has appealed to it for co-operation. His appeal deserves liberal response.

THE WEEK'S NOTES

PROF. MYRDAL'S PLEA

THE FOUNDATION DAY celebration this week of the Delhi School of Economics, which has made rapid strides even during the short period since its inception, was notable for the very interesting and provocative address delivered by Prof. Gunnar Myrdal. Mr. Myrdal is not only a distinguished economist but the Executive Secretary of the U.N. Economic Commission for Europe. What he says for improving the economy of the backward countries, therefore, merits great attention. It is also a striking coincidence that following Dr. Arnold Toynbee, who was in Delhi recently, another distinguished representative from the West should lay great store by the Indian experiment in democracy as crucial for the world. For, Mr. Myrdal is certain that apart from meeting the demand for justice, political democracy has a great role to play in the strivings for economic development in an under-developed country as the other alternative is "violent revolution and dictatorship." What was provocative in his address was his plea for a "double standard morality" in the commercial policies of the under-developed countries vis-a-vis the developed regions because, as he argued, the former "have rational grounds for asking the latter to liberalise their trade and capital movements unilaterally." To restore world balance, the under-developed countries have to apply nationalistic economic policies and a "double standard morality" is the only way in which they can catch up with the advancing West. It is a tribute to the humanism of Prof. Myrdal that though belonging to the West, he should have come out so fervently for pleading the case of the under-developed countries in their struggle for development.

Another suggestion of Prof. Myrdal for the development of under-developed regions was some form of regional economic integration. Such integration had so far been lacking because of "prolonged economic backwardness, foreign domination and, in particular, political colonialism." More than the developed regions, he explained, the under-developed countries needed "neighbourhood co-operation, agreed specialisation in their industrialisation and indeed 'free trade areas' for themselves behind common protective walls in order to have real success with their development programmes." While regional economic integration may be possible and even necessary in the advanced stage of industrialisation, under-developed countries, whose economies are not complementary and who have to depend for their capital goods requirements on the advanced countries, may have to go slow in pursuing this suggestion. What they require immediately is assistance without any strings and with their national self-respect unimpaired. This calls for international co-operation and further utilisation of the U.N. agencies for routing assistance to the under-developed regions. The adage 'prosperity like peace is indivisible' is never more true than today and a world, where a substantial majority lives in sub-marginal standards despite the great scientific and technological progress of the last few decades poses a challenge to the advanced countries, because their own continued stability and prosperity depend to a large extent on what happens to the rest of the world.

U.S. TRADE MISSION

IT IS significant that despite present political differences, an American trade delegation should now be in this country to explore the possibilities of increased trade between the United States and India. This is an indication that differences on the political plane from time to time need not stand in the way of closer economic collaboration between the two countries. Recently, a number of trade missions from abroad have visited India, the last two being those from Denmark and Sweden. The present six-man mission from the United States (comprising four prominent businessmen and two Government officials) which is led by Mr. F. Preston Forbes, Director of the International Trade Development Division, Office of Trade Promotion, U.S. Department of Commerce, proposes to undertake an extensive tour of the country lasting six weeks.

The rising tempo of development under the second Plan and the easing of the restrictions on dollar imports have naturally increased the prospects of growing imports from the United States and especially in meeting India's capital requirements, because the United States can be of considerable help here among the various exporting countries. In view of the deteriorating foreign exchange situation, the Government of India have recently announced that all projects of industrial expansion will be conditional on the availability of their foreign exchange component either through long-term credit or through financial participation by the collaborating foreign firms. Interest now, therefore, centres on how far the United States manufacturers will be able to meet the supply of capital goods on long-term credit and thus take into account India's special needs and requirements. At the same time it is necessary to point out that increased imports by India can only be sustained by a corresponding increase in American imports from this country and here the possibilities of increased Indian exports of manganese and chrome ores, handloom fabrics and handicrafts are likely to be explored. The possibilities of increased ore exports seem to be quite bright consequent on the shipping space that will be available as a result of the increased American shipments of cotton and foodgrains under P.L. 480 programme to India. The results of the Trade mission are bound to be watched with a good deal of interest in both countries.

"DESTINY OF SOCIALISM"

MR. JULIUS BRAUNTHAL is a former General Secretary of the Socialist International and thus a top leader of the world socialist movement. He has just spoken at Delhi on the destiny of socialism. His hope (or, perhaps, prediction) is that before the close of the present century most countries in the world would adopt the socialist system of Government. This socialism would not be a mere State capitalism but would be based on democratic foundations. The twentieth century changes in the social, industrial and political spheres in many countries have persuaded Mr. Braunthal to believe that most countries, whether capitalist, feudal, monarchic or communist, are drifting towards democratic socialism.

Mr. Braunthal's optimism is no less amazing than that of Mr. Molotov who said some years ago that "we are living in a century when all roads are leading to communism" or of James Burnham who has predicted "the coming defeat of communism." Faith, they say, can move mountains, but the conflicting faiths represented by Braunthal, Molotov and Burnham may only keep the mountains in equilibrium, may be an uneasy equilibrium, for a long time to come. Whether ultimately there will be democratic socialism, cannot be confidently predicted. Mr. Braunthal's wish that all the problems expected to arise from increasing automation in the advanced countries might be solved by socialistic planning of national and international production of goods, may or may not be fulfilled. In predicting crises of over-production and consequent unemployment following automation, Mr. Braunthal sounds no less pessi-

mistic than Marx. But it is just conceivable that democratic socialism may achieve its destiny if the two major power systems in the world somehow manage to extricate themselves from the cold war complexes and devote their energies to the kind of rational organisation of production that Braunthal has visualised.

MR. SHEPILOV'S EXIT

THOUGH THE official announcement merely says that the Presidium of the Supreme Soviet has relieved Mr. Shepilov from his duties "in connection with transfer to other work", his replacement as Foreign Minister is significant. In a country where Ministers remain in office for unusually long periods as compared with those of the democratic countries, Mr. Shepilov's exit, after no more than eight months in office, betrays that the struggle for power among Stalin's successors has, far from being resolved, been "sharpened." This appreciation of the Soviet situation is supported by the fact that Mr. Saburov, boss of Russia's Planning Commission and another member of the Khrushchev faction, was unceremoniously removed from office only a few weeks earlier. This interpretation is reinforced by Marshal Tito's knowledgeable authority about the existence of such struggle in the Kremlin's "collective" leadership.

Mr. Shepilov's removal from foreign ministership is the price he has paid for the failure of the policy of the faction led by Mr. Khrushchev. In Europe, its policies of de-Stalinization and "independent roads to socialism" have resulted in the revolt in Hungary, the alienation of Poland, and accentuated estrangement with Yugoslavia. Its strenuous courtship of the "uncommitted" countries of the Middle East proffering them arms aid, after giving initial dividends, has only brought the United States on the scene. The Eisenhower Plan has incidentally bridged the gap between NATO and SEATO chain of strategic American bases, thus completing the cordon sanitaire around the Communist bloc. The hysterical denunciation of the Eisenhower Plan by Russia is proof of the alarm it has caused in the Kremlin. Mr. Shepilov's "crime", which has caused his downfall, is that he provoked the United States to move into the Middle East to fill in the "power vacuum" caused by the ending of the Anglo-French influence. He had offered "volunteers" to Egypt.

His replacement by Mr. Gromyko, a diplomat of the Molotov school, seems to imply tougher control by Moscow of the policy of its Communist "allies" and possibly renewal of intransigence in its relations with the West. This may be inferred from Mr. Gromyko's reputation for consistent obstinacy which he has built up at the United Nations. There is also evidence to show that since the Hungarian revolt, the "liberal" Khrushchev faction has taken a lead in the re-approbation of Stalin, which in practice can only mean acceptance of a "tough" line not only with regard to the West but also the countries of the "Socialist Camp", particularly Yugoslavia and Poland. It may also mean reintroduction of "iron discipline" in Communist parties throughout the world.

Moreover, it may be noted that disarmament is due to come in for discussion at London shortly. Mr. Gromyko and his preceptor, the Stalinist Mr. Molotov, have in the past been the Soviet negotiators. The spirit of Mr. Molotov will again hover over the discussions at London—as over Soviet foreign policy generally under Mr. Gromyko. Indeed, it is even possible, though remotely, that Mr. Molotov will again at some future time follow his spirit corporeally.

INDIAN RESOLUTION ON CYPRUS

IT IS heartening to know that the Indian resolution on Cyprus, which was approved in the United Nations Political Committee by 76 votes in favour, none against, and 2 abstentions, had been welcomed by the main contenders, Britain, Greece and Turkey. It is also reported that the EOKA terrorist organization has issued leaflets calling for a truce in the two-year old anti-British campaign of violence.

The Indian resolution expressed "earnest desire" that a "peaceful, democratic and just solution of the problem will be found and that negotiation will be resumed to achieve that end." It is to be hoped that the Cyprus question will not be revived at the next Assembly in six months' time and accusations and counter-accusations will not again be hurled at each other by two members of the free world. But to hope that the resolution will by itself resolve the Cyprus question would be tantamount to indulging in political romanticism.

One could say, of course, that the problem in Cyprus is simply one of home rule. But the problem has been complicated by Greek and Turkish claims over the Island, besides the desire of the British Conservative Party to keep it as an outpost in the oil-rich Middle East. Mr. Menon estimated correctly the British policy of "divide and rule" and of granting undue weightage to the Turkish minority of hardly 17.9 per cent over the Cypriots who form 80.2 per cent of the population. He also criticised rightly Greek claims over the Island—"racial affinity does not mean that the Greeks and Cypriots are one."

There is, however, possibility of the problem being solved; all that is needed is the British Government's withdrawal from imperialist positions and its forgetting of the past imperial "glory." After the failure of its gunboat diplomacy in Egypt, the British should realize that their legitimate interests—including oil—cannot any more be safeguarded by the maintenance of a colonial police station. These interests would be better protected by winning the confidence of the Cypriot people—as has been done in the Indian sub-continent, Burma, Ceylon, and Ghana. In any case, the British Conservative Party Government has been forced to cut down defence expenditure in accordance with Britain's new role as junior partner to the United States. This should make it only a matter of time before opposition to the Cypriots' right of self-determination will have to be given up.

The prerequisite for winning the confidence of the Cypriots is the unconditional release of the political prelate, Archbishop Makarios. He alone can deliver the goods which even Lord Radcliffe, with all his constitutional acumen and gadgets, and the British Government with its policy of blood and terror, have failed to do so far.

COALMINING EQUIPMENT

THE RUSSIAN team of experts have recommended, in their report, the setting up of a plant in India for the manufacture of 30,000 tons of coalmining equipment required for the development of the coalmining industry in the country at an estimated cost of Rs. 13.2 crores. In making their recommendations the Expert Team have taken into account the requirements of the public and private sectors in fulfilling the targets of coal production for the next 5, 10 and 15 years.

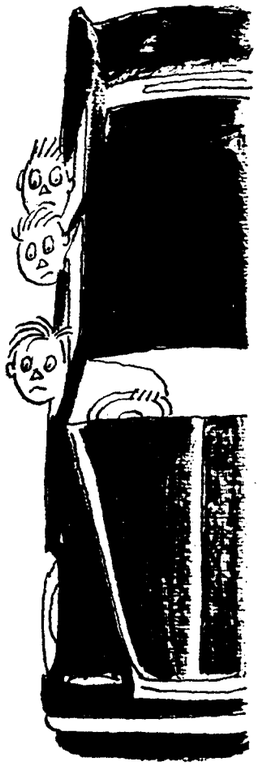
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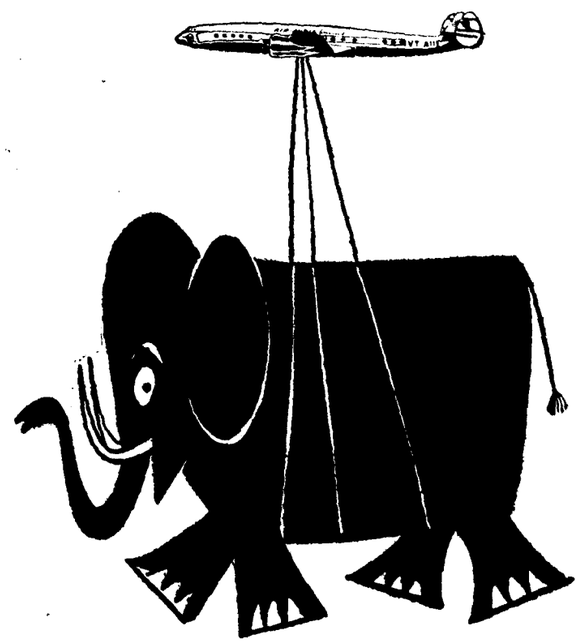




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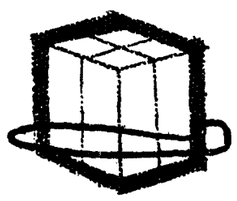
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A Window on the World

THE WARNING OF CASSANDRA

By

ODYSSEUS

ON WEDNESDAY NEXT, March 6, a new, non-European member—the first in the continent of Africa—enters the Commonwealth family of nations: Ghana, hitherto known as the Crown colony of the Gold Coast, about which I gave some background information last week.

Ghana's emergence must act as a spur to the nascent nationalisms at different stages of development over the vast areas of "colonial" Africa. There is no stronger upholder of self-government than this column, but the problem in Africa is not the simple one of going around identifying groups ruled by a foreign power and saying "Let these people free!" If you do that, you will Balkanise Africa.

Ghana illustrates this. The Gold Coast colony was the creation of a foreign ruler who brought four main linguistic groups under one administration. As the prospect of independence came nearer a struggle for power broke out among these groups. In the elections, the Convention People's Party gained substantial majorities. But while all parties sought independence, the peoples of Ashanti and the Northern territories feared the domination of the majority drawn from the coast. Secession has been threatened. These differences led to the eleventh-hour visit of the Colonial Secretary, Mr. Alan Lennox-Boyd, to the Gold Coast in January, in which he was able to work out safeguards acceptable to all parties. The partition of Ghana would have been attended by many of the same misfortunes, suspicions, and animosities, which followed the partition of India. Such animosities are sources of international weakness. They open the doors to foreign arms deals and other sources of friction. Nevertheless, in the case of India, the partition, whatever its unfortunate sequels, has produced two viable states. But just look at the map of Africa.

LARGER THAN INDIA AND PAKISTAN

Ghana adjoins French Africa, which contains different peoples spread over twelve major territories (including Mauritania, Senegal, French Guinea, French Sudan, the Niger Colony, Ivory Coast, Upper Volta, Dahomey, Gabon, French Congo, Oubangichari, and Chad) stretching from the west coast all the way to the Sudan on the east—an area of 1,820,000 sq. miles, i.e., 239,000 sq. miles greater than India and Pakistan together.

The French government has recognised the aspirations of these twelve territories by granting local autonomy. According to "The Economist" of London, the African leaders do not, for the moment, ask for more. M. Senghor, one of the two main African leaders, objects that local autonomy would lead to the Balkanization of Africa. He wants autonomy at the level of the two over-all groups of (a) French West Africa and (b) French Equatorial Africa (See the map). He would like these regional federations to enter as equals with France in a confederal union, in which France, like any other member, would obey the Union's decisions. This is doubtless taking a long view but it is good to hear that such constructive thinking is taking place. I hold no brief for colonialism, but for the sake of world peace, one would prefer to see colonialism evolve into regional democracies than liquidated overnight.

Africa contains not only French West and Equatorial Africa, but British Nigeria, Belgian Congo, Portugese Angola, and other colonial territories. It is important that the anti-colonial nations should maintain steady pressure on the colonial nations to proceed towards self-government at a perceptible pace. It is not, however, in the interests of either the already emancipated colonial peoples, or of those whom they would like to see emancipated, to expect parallel progress on all fronts, or to attempt to force the pace by encouraging the sort of armed strife that so tragically persists in North Africa.

DO WE WANT ANOTHER SUEZ?

That would open West and Central Africa to the intrigues and instigations which have in recent years been infiltrating into neighbouring territories from the cauldron of the Middle East. Small beginnings can have big endings and the aforesaid intrigues and infiltrations were instrumental in bringing Soviet influence into the Middle East, and culminated in the Franco-British Suez adventure—a disaster not merely to France and Britain but to all those nations, in Asia as in Europe, which wish to see the canal freely navigable, oil supplies freely buyable, and communist influence kept away from a vital link in their communications. The free countries of Asia, Europe, and America, should be warned by the Suez precedent and recognise now, while there is still time, that they have a common interest in preserving the peace of West and Central Africa, in ensuring that its constitutional development is not merely rapid but orderly, and in warning those who seek to fish in troubled waters that Africa is a concern of the whole free world. If the free world were to take a firm and united line on this, the Soviets would be unlikely to try to stir up trouble. They are realists. They only try it on when the opportunity is presented to them, as in the Middle East, where all the countries of the free world have been pursuing different policies, against their own interests, and certainly not in the interests of the peoples of the Middle East.

I revert to Ghana. Despite friendly mediation, the differences of race and tradition that exist in the heterogenous regions that made up the old Gold Coast colony have not been, and could not be, wiped out overnight, and the struggle for power continues. There have been new rumblings and threats since Mr. Lennox-Boyd's departure. There is nothing surprising about this. Party government in a democracy involves a constant struggle for power. What is important is to keep the struggle within assemblies, debates, and ballot boxes. This is not so easy because we are living in the midst of a world struggle between the free and the Communist countries, in which the Communists do not

hesitate to intervene, openly or covertly, in the internal affairs of other countries wherever they see a chance of furthering their cause. Chances arise whenever there are dissensions within the free world.

One example of dissension in the free world is "colonialism", and what remains to be seen is whether the countries of Europe and of Asia will realise in time that they have a common interest in ending colonialism as quickly, and as smoothly, as possible. This calls for compromise and an effort of imagination on the part of both colonial powers and colonial peoples (emancipated and due to be emancipated).

The key to national policy in these emotionally befogged controversies is to ask the platitude: What is the national interest? I submit that the national interest of the colonial power will be promoted by ceding self-government at the earliest opportunity (What benefit can there be in spending money and power in holding down an unwilling people?), and that the national interest of the emancipated, or about to be emancipated, colonial nation will be promoted by co-operation with the departing power.

How has Egypt's hostility to the departed colonial power profited her? Have the ships sunk by Egypt in the canal added to her wealth? How will the giant tankers now being built to go round the Cape benefit Egypt? Was the UK hostile to Egypt? What were the hopes with which Anthony Eden forced through parliament the Anglo-Egyptian agreement to evacuate the canal on October 19, 1954? Alan Campbell Johnson's biography of Eden (published in March, 1955, sixteen months before the canal crisis blew up) answers thus:

"The reactions of the Arab world suggested that by her realistic appreciation of changed conditions, Britain had shown the adaptability of her power and had enhanced rather than diminished her prestige. And it was a relief to those responsible for British interests in the several Arab countries that the canal problem, which had always confused Anglo-Egyptian relations, was out of the way. It enabled Egypt at long last to co-operate freely on strategic matters with the west, with which her policies showed that her interests lay. Not least, the end of the Anglo-Egyptian quarrel made for stable conditions in Egypt by enabling the government to devote its energies to social needs."

What wishful thinking, you rightly exclaim! True. But at least it shows a wish to think friendly thoughts about Egypt. Subsequent events constitute an ironic comment on this passage from Alan Campbell Johnson. They suggest that we ought all to collaborate to ensure that West Africa does not become another Middle East.

Should anyone suggest that there is at present no sign of international strife in West Africa, I may recall that this is what some said when I ventured on a warning about Suez and the Middle East as far back as March 23, 1956. Must I change my name to Cassandra?

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ALGERIA AFTER THE U.N. VOTE

(From Our Special West European Correspondent)

PARIS, February 26.

AFTER celebrating the "success" scored by their delegation at the UN in the debate on Algeria, the French have begun to realise that this success carries with it many obligations, perhaps more obligations than a defeat would have. If the General Assembly had accepted a severe motion of censure on France, such as was first favoured by the wilder wing of the Afro-Asian bloc, Paris would have been able to shrug it off as a piece of impertinence; the only effect of such a motion would have been to encourage terrorism. But the very moderate motion that was in fact accepted (thanks to the milder wing of the Afro-Asian bloc: Lebanon, Iran and Burma), by giving France credit for the liberal measures promised by her delegation, has converted the promise of those measures into a veritable international obligation—an obligation, moreover, not to her enemies but to France's friends. Now for a democracy at least, an obligation given publicly to one's friends just after they have gone to some trouble to support and protect one, is an obligation that has to be met. In short, although she had her way at the UN, France now has to do something urgently to end the Algerian war.

The period of waiting and postponing is now past. First it was a matter of waiting till the 1956 elections were over; then waiting for the Socialist Party Congress; then waiting for the Suez dispute to be settled; finally waiting till the UN debate was concluded. There is nothing more to wait for; the French Government will have to act decisively by this summer. What form of action will be "decisive"? Certainly not a continuation of "pacification", i.e. the simple repression of terrorism. Pacification has failed. After 13 months of fighting by a French army half-a-million strong, terrorism is more widespread than ever; defeated in one place it has spread to another, checked in one form it has assumed another form. In recent weeks terrorists have been killed off at the rate of 1000 or so a week, but ambushes, assassinations and bomb outrages continue nevertheless.

If pacification has failed, so has the terrorism of the rebel movement. All the outrages of the rebels (wrought mainly on fellow-Muslims) have not advanced the nationalist cause one jot; the UN has unanimously decided not to intervene and the French Government is as unshaken as ever in its opposition to a simple recognition of Algerian independence. So for both sides, it is now clear that the future of Algeria will not be decided by violence because this is a case where neither side can win, no matter how long the struggle continues.

Violence being useless, will some generous and unilateral demonstration of goodwill work the change? Probably not, for when two communities have been locked in civil war for two years, it is too late for the most magnanimous proclamations of goodwill to have the least effect. To speak plainly, both the Algerian rebels and the French authorities have been guilty of so many actions of cruelty, treachery and cowardly brutality that not the least shred of trust remains. There is now a breach between the European and Muslim communities in Algeria that no mere words can fill, not even if they were to come from a man whose word is still valued, such as Pierre Mendes-France. Mendes has never had an alternative policy to offer for Algeria, but only his own person, his reputation and his record. These might have been sufficient to turn the tide nine months ago, but not today. A solution will not be found by a change of personalities, and will probably have to be found and implemented by the present socialist government.

The difficulty is that the socialist government's programme for Algeria, as outlined before the UN and thus virtually underwritten by the General Assembly in its final vote, begins with a cease-fire. Only after three months' quietude will elections supervene, and this in turn will be followed by negotiations about the future of the territory in which two communities are condemned to live together. The acceptance of the cease-fire therefore involves the rebels' willingness to trust the government to implement the rest of the plan, and the government's willingness to believe that the rebels will allow elections to be held in genuine peace and freedom. (This latter point is important because the rebel movement is not supported by the mass of the Muslims but is kept going by force and intimidation, and even though open fighting might stop, this intimidation might continue and thus falsify free elections).

Moreover, the rebels have another reason for distrust in that even this programme has not been accepted by the French Parliament but constitutes a unilateral declaration by the socialist party. The other parties are already offended that a one-party policy has been converted into an international undertaking before Parliament has pronounced on it, and some parties proclaim their total opposition to the holding of free and equal elections because these might result in the election of a Muslim majority which would at once claim complete independence—which the French government and people will never agree to grant. The socialist government could be brought down on this point any time in the summer, and for that reason alone the rebels will be reluctant to trust in its plans.

So neither straight violence, nor simple goodwill nor the socialist plan for a cease-fire and elections hold the key to the future of Algeria. The moment has arrived for a new and bolder policy, a complete break with the past and all its lost opportunities and broken promises. And this new policy can only be found through co-operation with Tunisia and Morocco. I outlined here in the issue of January 18 the sort of North African federation or Little Commonwealth that Mr. Bourguiba of Tunisia has suggested, but which the French have not so far seriously considered. Since the UN debate has shown both the urgency of some line of bold policy and the sterility of the old plans, more attention has been paid in Paris to this possibility. Significantly it has gathered support among conservative politicians and was mentioned favourably twice at last week's Moderate Republican Party conference. Monsieur P.-H. Teitgen there admitted that it seemed impossible to devise a "separate" solution for Algeria and recommended that thought be given to the establishment of a community including on the one hand Morocco and Tunisia, and on the other a Franco-Algerian federation.

It is not a question of the free North African states acting as intermediaries or brokers between the French

and the rebels; if these two parties want to negotiate, they can do so directly without need of middlemen. It is rather a question of the independent states providing a caution or guarantee for a deal between two parties who no longer trust each other. Looking further ahead, beyond the stage of negotiations, it is not a question of setting up a joint rule or condominion over Algeria. It would then rather be a question of devising a delicate balance between the rights of the European and Muslim communities in Algeria, in which each community had a god-parent or guarantor, in France and the free Muslim states respectively. This would presuppose a tightening of the bonds between France and the two former protectorates, in some sort of federation of commonwealth; all the parties concerned are ready for this and it is only the continuance of the Algerian war that is preventing the progress of such a scheme.

Morocco and Tunisia would be acceptable protectors for the Algerian nationalists, for they are independent Muslim states. They would also be acceptable partners for France, because they are moderate and democratic states, and thus would not choose to support, among the many conflicting tendencies within the Algerian nationalist movement, those that are under Egyptian or Communist influence. Thus by working through Rabat and Tunis, France would have a chance of dealing with the less extremist section of her opponents, whereas the extremist section would tend to come to the top in direct negotiations carried on in an atmosphere of bluff and blackmail.

But before this line of policy can make any progress, two illusions have to be removed. First, on the French side, the illusion that Algeria is literally an internal French concern which does not interest or affect the neighbouring states. This is absurd because quite apart from sentimental considerations and the natural sympathy of the Moroccans and Tunisians for the Algerian rebels, the continuance of the Algerian war is a perpetual threat to the internal order of the two neighbouring states. Moreover, it requires the stationing of French troops in their territories, and limits the amount of aid they can receive from the only source open to them, the French taxpayer. The second illusion is on the rebel side: the absurd belief that France can ever be brought, by whatever means, to grant the Algerian Muslims simple national independence. This absurdity has never been dreamed of by any French politician outside the Communist Party —and even for the Communists it is probably just harmless dogmatising, for they know they will never have the responsibility of implementing such a policy which would be repudiated by the mass of the French working class. The immediate consequence of any French government even appearing to favour total independence for Algeria would be civil war in metropolitan France, a coup d'etat by the army in Algeria and a war of extermination between the two communities which would repeat on a smaller but much more deadly scale the catastrophe of the Punjab.

The only sort of independence that could be envisaged for Algeria would be an autonomy that was immediately signed away in the formation of a federation that included France and the North African states. In other words, it would not be independence at all but simply a recognition that the people of Algeria were henceforth equal partners with their neighbours and with the French in some larger unit.

NOTICE

SALE OF IRAQI CRUDE OIL

The Iraq Government calls those interested in purchasing all or part of the following quantities of Iraqi crude oil produced from the Kirkuk, Ain Zalah and Zubair fields, during the year 1958, to apply to the Ministry of Economics, Baghdad, or Iraqi Embassies, Legations or Consulates for terms and conditions of sale and qualities of crudes.

ESTIMATE OF AVAILABILITY AT SEABOARD

	TRIPOLI			BANIAS	FAO	
	I.P.C.	M.P.C.	TOTAL BLEND	I.P.C.	B.P.C:	
1st Quarter ..	187,500	37,500	225,000	537,500	250,000	Tons
2nd Quarter ..	250,000	37,500	287,500	537,500	250,000	,,
3rd Quarter ..	387,500	37,500	425,000	550,000	250,000	,,
4th Quarter ..	412,500	37,500	450,000	550,000	250,000	,,
Totals ..	1,237,500	150,000	1,387,500	2,175,000	1,000,000	,,

Purchaser is required to indicate prices offered per ton of crude f.o.b. seaboard terminal.

Purchaser is required to indicate quantities of oil to be purchased.

Purchaser is required to indicate currency in which payment is to be effected; preference being given to those who pay in scarce currencies.

Offers are accepted until May 31, 1957.

Purchaser is required to deposit a bank guarantee to the amount of 1% of the value of the crude oil to be purchased, and the said guarantee to be valid up to 31st July, 1957.

The Government will notify the purchaser before the 15th June, 1957 whether his offer is accepted. If the offer is accepted, the purchaser shall make such arrangements as may be necessary before 31st June, 1957, for the establishment of a confirmed irrevocable letter of credit with a bank acceptable to the Government. Such credit to be in the amount of the value of the crude oil to be purchased.

The Government will consider offers for purchasing Iraqi crude oil for periods extending over one year.

Note: Although a separate net production' figure has been given for Mosul Petroleum Company Limited, it must be pointed out that oil of that Company will not be available separately at the terminals but will probably be available only at Tripoli in a blend with Kirkuk oil of approximately one part Ain Zalah oil to five parts Kirkuk oil.

WORLDGRAM

AGRICULTURE

Community Development Programme: Over one crore families have been benefited by the Community Development and National Extension Service Programme up to the end of September 1955. A review of the progress achieved in the Community Development and N.E.S. areas from the inception of the programme to the end of September 1956 shows that the number of villages covered by the programme was 1.92 lakhs, while the exact number of families benefited by the development activities was 111.40 lakhs. The number of families benefited in the Community Development Blocks was 78.47 lakhs and of those benefited in the National Extension Blocks was 32.93 lakhs. The Development Programme was able to provide full time employment to 1.46 lakh persons. Besides, part-time employment was provided to 5.18 lakhs persons. A break-up of the figures would show that employment opportunities provided were higher in the Community Development Blocks than in the National Extension Service Blocks. Whereas in the former 1.35 lakh persons were provided with full-time employment and 4.55 lakh persons with part time employment, the corresponding figures under the N.E.S. Blocks were 11,000 and 63,000 respectively.

INDUSTRY

Record Steel Output in America: America's steel industry turned out more steel in January than ever before in January—11,001,000 net tons—The American Iron and Steel Institute has reported that production was the second largest monthly output on record, topped only by the 11,048,513 tons produced in October 1956. The institute's ingot production index, which designates average production for 1947 through 1949 was 100, was 154.6 for January and 137.2 for the full year of 1956.

*

Development of Refractory Industry: A Panel of Experts has been constituted by the Government of India to draw up a programme for the development of the refractory industry with particular reference to the requirements of the iron and steel industry. The Panel will prepare a detailed and phased production plan for the next five years on the basis of the capacity of the existing units and the creation of additional capacity for the manufacture of refractories. It will study the technical working of the present units, the raw materials available, the equipment in use and the manufacturing methods. The extent to which existing units which are not utilising their capacity to the maximum can be assisted to step their production will also be studied. The experts will examine whether the present types of refractories produced in the country conform to specifications required by different consuming industries and suggest suitable modifications where necessary to ensure that common standards and specifications are drawn up.

*

Mastic Asphalt for Flooring: The Indian Standards Institution has issued for eliciting comments two draft Indian standards, one a specification for mastic asphalt for flooring and the second a code of practice for laying mastic asphalt flooring. These two draft standards are intended to provide guidance to the users in regard to the quality of mastic asphalt that should be specified and the manner of laying it. The draft code also specifies thickness of finished floors of asphalt for different purposes. Comments on the two draft standards may be sent to the Indian Standards Institution, 19, University Road, Delhi 8, before April 21, 1957.

Standard for Russet Leather: The Indian Standards Institution has published an Indian standard specification for russet leather. Copies of the standard are now available for sale from the Indian Standard Institution 19, University Road, Delhi 8, and its branch offices at P.11, Mission Row Extension, Calcutta and 40/40A, Cowasji Patel Street, Fort, Bombay.

TRADE

Foreign Trade of India by Land during December 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 month of December, 1956 are as follows:

Merchandise Exports .. .. .. Rs. 85 lakhs

Exports to Eastern Pakistan	Rs.	57 lakhs
,, to Western Pakistan	,,	22 ,,
,, to other countries	,,	6 ,,

Merchandise Re-exports Negligible

Merchandise Imports .. .. .. Rs. 1 69 lakhs

Imports from Eastern Pakistan	Rs.	1,43 lakhs
,, from Western Pakistan	,,	15 ,,
,, from other countries	,,	11 ,,

Total Trade .. .. Rs. 2,54 lakhs
Trade in Treasure—Nil

Balance of Trade: The total value of exports including re-exports fell short of imports by Rs. 84 lakhs.

*

Protection for Wood Screw Industry: The Tariff Commission has taken up for investigation the claim of the wood screw industry to the continuance of protection beyond December 31, 1957 and proposes to conduct a public inquiry in the middle of March, 1957. In this connection the Commission has prepared special questionnaire for producers, importers and consumers. Firms, persons or associations interested in this industry or in industries that use wood screws may obtain copies of the questionnaire from the Secretary to the Tariff Commission, Central Government Offices Building (3rd Floor) 101, Queens Road, Bombay.

*

USSR—France Trade Agreement: Under a recent trade agreement signed between USSR and France, Soviet foreign trading organisations will fill large orders for the manufacture and delivery to the USSR during the aforesaid three years of many kinds of machines and equipment, including metal cutting machine tools, electro technical metallurgical radio and television equipment, powerful technical current, electrical locomotives, equipment for making automobiles tyres for coal concentration factories, for precast structural elements factories and factories for the manufacture of cellulose out of rush grass, for chemical, light and food industries. France will deliver to the USSR rolled ferrous metals, cable, cork rayon, cocoa beans, citrus fruits, ethereal oils and other commodities. The Soviet Union on its part will export to France in payment for its orders and purchases in this country—anthracite, pitch, oil and its derivations, manganese and chromium ores, asbestos, sawn timber, pulpwood, cellulose, newsprint cotton, furs, tinned crabs, machines and equipment etc. The agreement provides for a substantial annual increase in the volume of trade between the USSR and France and the expansion of the

range of exports both ways. It is expected that by the end of the three year period trade between the two countries will have reached a level exceeding the 1955 figures by some two hundred per cent.

FINANCE

Customs and Excise Revenue Collected in Indian Union Statement for December 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 December 1956, amounted to Rs. 15.31 crores as compared with Rs. 15.85 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. 11.82 crores as against Rs. 12.14 crores, export duties for Rs. 3.20 crores as against Rs. 3.38 crores and land customs and miscellaneous for Rs. 29 lakhs as against Rs. 33 lakhs. The total gross collection of Union excise duties amounted to Rs. 19.84 crores as compared with Rs. 13.08 crores. During the nine months, April to December 1956, the grand total of gross customs and Union excise revenue realised was Rs. 264.94 crores as compared with Rs. 232.58 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 102.25 crores as against Rs. 93.23 crores, export duties for Rs. 21.87 crores as against Rs. 28.10 crores, land customs and miscellaneous for Rs. 2.65 crores as against Rs. 1.50 crores and Union Excise duties for Rs. 138.17 crores as against Rs. 109.75 crores.

*

Personal Income in US in 1956: The Department of Commerce reports personal income in America during 1956 reached a record total of $325,000 million, an increase of about $15,000 million over 1955. Personal income in December was at an annual rate of $333,500 million, unchanged from November. Personal income estimates include wages and salaries, net income of proprietorships and partnerships, farm and non-farm rents, interests and dividends as well as other types of individual income. Wage and salary increases, the report said, amounted to $15,000 million, or about seven per cent higher than 1955. All non-manufacturing industries showed payroll gains in 1956, with the sharpest increases in construction and mining. The largest gain in manufacturing industries was in the machine industries and transportation, excluding auto-manufacturing, which showed a slight decline. The Commerce Department report said average annual earnings per employee rose almost five per cent during the year, and that in most industries, higher average earnings were more important than employment gains in the 1956 wages increases. Personal income increases ranged generally from 6.5 per cent to 8.5 per cent in wages and salaries, nonfarm business income, interests, dividends and transfer payments.

*

Companies Registered during April-December, 1956: During the first three quarters of the current fiscal year 1956-57, 637 companies have been incorporated all over India. Of these, 65 companies are public and the remaining 572 companies are private. The annual rate of new incorporations during the current year is running around 850 companies, as against 1448 companies registered during 1955-56. The monthly average of registrations works out to 70 companies, as against 110 during the corresponding period of 1955-56. State-wise distribution of new registrations during the period under review shows that out of 637 companies registered during the period, 244, 113,85 and 81 have been registered in the States of West Bengal, Bombay, Delhi and Madras, respectively. These four States together account for nearly five-sixths of the total registrations all over the country.

*

Aid for Production and Development of Handicrafts: Loans and grants totalling Rs. 1,98,055 for the promotion and development of different kinds of handicrafts in five States have been sanctioned by the Ministry of Production. A grant of Rs. one lakh has been made to Indian Institute of Art in Industry in Calcutta for the development of handicrafts in West Bengal. Madhya Pradesh has got a grant of Rs. 9,160 and a loan of Rs. 15,000 as financial assistance to a co-operative society of Zari workers at Bhopal. For the pilot project in the marketing of black pottery at Nizamabad in Uttar Pradesh, a grant of Rs. 7,920 has been made. In Andhra Pradesh, financial assistance has been sanctioned for the scheme of weaving of Asia rumals at Chirala, consisting of a grant of Rs. 2,750 and a loan of Rs. 11,250, while a scheme for the expansion of the Arts and Crafts Museum at Patiala in Punjab has been given financial assistance consisting of grant of Rs. 1,975 and a loan of Rs. 50,000.

GENERAL

Ford to Spend $710 Million for Plant Expansion: The Ford Motor Company has announced it will spend a near-record $710 million for plant expansion and tooling in 1957. Earnest R. Breech, Chairman of the Board of the Ford Motor Company, said this 1957 outlay would be exceeded only by the $780 million the company spent for expansion and tooling in 1956. Earlier this month, General Motors Corporation—the world's largest automobile manufacturer—announced that its estimated expenditure for facilities and tooling in 1957 would amount to $1,250 million. General Motors estimates it spent $1,630 million for these purposes in 1956.

*

Employment Situation during December 1956: The number of job seekers registered at Employment Exchanges in India declined by 2,002 during December 1956, on the last day of the month they numbered 7,58,503. Of these, 9,057 including 255 women were known to have some employment. The Exchanges placed 13,656 applicants in jobs during the month. The number of applicants submitted for selection to employers was 89,901 as against 31,415 during November 1956. Of the total number of placements, 4,879 were secured under the Central Government, 5,522 under State Governments, 1,200 under quasi Government establishments and local bodies and the remaining 2,055 with other employers. The number of vacancies notified to the Exchanges during December was 21,814.

*

Training of Craftsmen during Second Plan Period: Various details regarding the training of craftsmen under the second Five-Year Plan were considered recently at a meeting of the representatives of State Governments. The meeting, which was the first of its kind since the Central Labour Ministry's Craftsmen Training Centres were transferred to the administrative control of the State Governments in November 1956, dealt with the development of craftsmen training, provision of buildings for training centres, purchase of tools and equipment, holding of examinations and issue of certificates to trainees and duration of training courses, etc. The meeting agreed that while formulating proposals for new Centres, the possibilities of developing the existing Centres to the maximum extent must be taken into consideration, also, where possible, a second shift should be introduced.

NEWS IN BRIEF

INDIAN

Four Subsidiary Corporations of the National Small Industries Corporation, set up by the Ministry of Commerce and Consumer Industries, are expected to start functioning in early March at Bombay, Calcutta, Delhi and Madras.

*

The Government of India are proposing to set up a Central Indian Medicinal Plants Organisation in collaboration with the Indian Council of Medical Research, the Council of Scientific and Industrial Research and the Indian Council of Agricultural Research.

*

It is reported that about Rs. 9 lakhs mere sanctioned during 1956-57 (up to the end of January) for research purposes in indigenous systems of medicine.

*

On April 1st, the country will switch over to decimal system of coinage, under which the rupee will retain its present value but will be divided into 100 Naye Paise, instead of the present 64 pice.

*

Detailed proposecting of deposits of fuller's earth in Gulbarg District of the former State of Hyderabad has recently been carried out by the Geological Survey of India.

*

One hundred forty-four schemes formulated by State Governments for development of the sericulture industry were sanctioned grants amounting to Rs. 34,01,115 up to the end of January 1957, by the Ministry of Production. Thirteen schemes involving financial assistance in the form of loans, amounting to Rs. 25,01,650, were also sanctioned during the same period.

*

It is reported substantial US help in meeting India's foreign exchange needs has been categorically assured by the Director of I.C.A.

*

The Government of India has decided to increase the export allotment of tea by ten million lbs. to 453.5 million lbs.

*

The Punjab Financial Corporation disbursed loans amounting to Rs. 57,55,900 to industrialists during December 1951. It also sanctioned a loan of Rs. 2,25,000 to a flour mill and Rs. 60,000 to a concern doing cold storage business in the State.

*

Bidi exports from India to Ceylon increased to 1,556,874 lbs. in the first eight months of the current fiscal year from 1,386,274 lbs. in the corresponding period of the last year.

*

During January 1957, the Government of India sanctioned loans amounting to Rs. 17,349 lakhs to Assam and Madras under the Low-Income Group Housing Scheme.

*

The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for rivet loans for structural purposes.

FOREIGN

Colombia and Czechoslovakia have signed a new trade agreement. Under the agreement Colombia will supply mainly coffee in exchange for engineering and other products during 1957.

*

It is reported an Egyptian oil prospecting company will be formed soon and given licences for 61 acres in the Red Sea Zone and the Eastern Desert.

*

Yugoslav output of crude oil in 1956 exceeded by 14 per cent the 1955 level. The oil fields yielded 293,680 tons of crude oil for refining which is 36,475 tons more than in 1955.

*

Sweden's working population between the ages of 15 and 65, it is estimated, will have increased by an average of 22,000 per annum during the years 1955 to 1960 provided the net immigration remains unchanged.

*

Production of coal, steel and pig-iron in the European Coal and Steel Community was at a high level in January 1957.

*

Dutch exports to the UK in 1956 increased from Fls. 1,263 million to Fls. 1,273 million while imports from that source rose from Fls. 1,039 million to Fls. 1,153 million.

*

The Social Economic Council has recommended to the Dutch Government the introduction of a general widows pension and orphan aid which will be a supplement to the general old age pension operative from January 1. The proposed pensions range from Fls. 1.200 (£114) per annum to Fls. 1,800 (£171). These measures would cost about Fls. 125 million per annum (£.117 million).

*

During the current year the US will grant to Ceylon aid to the extent of $7 million. This is $2 million more than the aid granted last year. Part of the aid will be given as a long-term, low interest bearing loan.

*

The Swedish Financier Mr. Azel Wenner-Gren is planning a multi-million dollar industrial project for northern British Colombia. The Plan calls for creation of a string of new communities in the Rocky Mountain "trench"—the valley of the Finlay and Parsnip Rivers.

*

It is reported that the US has released 1,200 million dinars of counterpart funds to Yugoslavia to advance her agricultural production.

*

Malayan Federation Customs and Excise revenue in January amounted to $M. 46.1 million compared with $M. 48.6 million in December. The rubber export duty yielded $M. 13.3 million compared with $M. 12.5 million, while the tin duty totalled $M. 5.1 million against $M. 5.2 million.

Special Articles

STRIDES IN STANDARDISATION

IT is a matter of satisfaction that, in the development of industry and trade, the important role of standardisation is earning growing appreciation and support from the public in this country. On its part, the Indian Standards Institution (ISI), functioning as the national standards body for India, has, during the comparatively brief period of ten years of its existence, largely succeeded in coping up with the increasing demands being made on it. It has by now developed a complex and fairly well-equipped organisation for the preparation and formulation of standards to cater to the needs of the fast-progressing industry and commerce of this vast country. An idea of the work done by the Institution is provided by the fact that, over these last years, it has maintained a steady pace of well over a hundred standards each year, and today the total figure of standards published by its existing 6 Division Councils stands at over 800.

During the financial year 1955-56, for which the Institution's report is now available, it published 144 standards, which is 21 more than the preceding year's figure. However, the annual demand for standards is estimated around 300, which does not seem to be possible of achievement in the foreseeable future, because of the limitations imposed by factors such as the paucity of technical personnel, financial resources, etc. Considering these and the lengthy procedure of the formulation of each standard, which has to pass through various stages, involving continuous consultation, compromise and adaptation, with a view to arriving at the widest possible agreement on prescribing the minimum necessary requirements of an article or a component, the record seems impressive. For this, the ready co-operation extended by the interests concerned is as responsible as the initiative and drive of the controlling authorities of the Institution. One thing that strikes, however, is that in textiles, which form the vast bulk of our export earnings, standardisation has been weighted latterly on the handloom side. Another aspect of work which may be said to have received rather thin attention is in regard to standards on building subjects. For promoting their efficient use, scarce construction materials like timber, bricks and stones, concrete pipes and blocks, etc., should have featured prominently on the priority list. Its absence compels the feeling that such imbalances need to be corrected.

The adoption of standards is voluntary. Nevertheless, the response from the various trades associations is encouraging inasmuch as they generally desire to adopt Indian Standards in the spheres of both purchasing and manufacturing. In so far as the Central Government, as one of the largest organised consumers, has already adopted nearly 600 of the published Indian Standards, standardisation has received a fillip, and manufacturers have no choice but to produce goods conforming to the prescribed requirements. The Tariff Commission, in recommending protection for the applicant industries, also takes into consideration the extent to which a particular industry has been able to conform to Indian Standards. It is not unlikely that the Commission may make, in course of time, the implementation of standards a necessary pre-condition for the granting of protection. This progressive realisation of the role of standards is reflected in the sharp increase in the demand from industry for formulating standards in new fields. As many as 234 proposals were received by the ISI during the year 1955-56 as compared to only 97 in the previous year. Similarly, the number of subscribing members and the financial contributions received have registered advance over the 1954-55 figures. In order to match its performance on a substantially larger scale with the needs of the country, the Institution has drawn up its second Five-Year Plan with a target of producing 200 standards annually, to be increased in course of time.

Since the enforcement of standards by legislation is not desirable in a democratic set-up, except for a few cases where safety or health questions are involved, it is apparently difficult to extend the benefits of standardisation to the ultimate small-scale consumer. To get over this difficulty, many schemes have been tried in various countries. Experience has shown that certification marking and informative labelling are among the more important methods for the purchaser to be assured that goods so certified have been inspected by a competent agency other than the producer, and may be purchased with more than ordinary guarantee. The well-known Kite device of Britain, which came into existence, and use with profit, some 35 years back, has encouraged other countries to try similar schemes. Here in India also the Agmark has achieved a large measure of success in its field. Some four years ago, the ISI was authorised, by a Parliamentary Act, to specify and issue standard marks in respect of goods for which it may have prescribed standards. The scheme has now come into active operation and the Institution has so far issued some 20 licences out of about 150 applications. The figures are obviously on the low side, indicating that either the Institution is exercising restraint and caution in the grant of licences or that the applicants do not answer all the requirements necessary for such issuance. As it is, the certified goods should have not only to maintain the standard as prescribed at a particular time, but should also be produced in accordance with the revisions that may be made from time to time, as a result of unceasing change in physical and material requirements, as well as technological advance.

The highly accelerated tempo of industrialisation in the second Plan period makes it imperative to eliminate all avoidable delays in negotiating and executing big trade transactions. It is obvious that certification marking can be a useful implement in regularising and simplifying the internal as well as export trade. Of course, the scheme is not entirely free from problems. The small-scale and cottage industries, spread over the whole length and breadth of the country, cannot possibly afford testing facilities on their own. In the interests of their healthy growth, the Government should be able, simultaneously with the other schemes for their encouragement, to make necessary arrangements, though it must be recognised that the methods in this sphere have necessarily to be radically different from those in organised, large-scale industries. Again, mutual recognition of marks by different countries, particularly in the Commonwealth, or their recognition in a country where no such marks exist, are other aspects which will need proper thought and action.

As one of its more important functions, the Institution acts as adviser to the Government in respect of standardisation of weights and measures. The country is now on the eve of a change-over to the metric system which is more or less the result of the ISI's recommendations. The recommendations which concerned mainly weights and measures, have touched upon currency also. The change-over entails many complications like the establishment of new series of dimensions and sizes for basic products, ferrous and non-ferrous metals products, building materials and components, textile and other mill stores and a chain of other items. In this connection, two important aspects, namely, imports from countries using the inch-pound system and the needs of the export markets have to be constantly kept in view. The Institution has now issued a guide for inter-conversion of values from one system of units to another. It discusses in some detail the significance of stated values and gives hints as to how to assess their significance for the purpose of conversion. The need for such a guide has existed for a long time in many countries, where more than one system of units for measuring similar quantities have been in use and conversion of values from one system to another raises issues of interchangeability of components, precision of statement, etc. This problem also formed a subject of discussion at the third Commonwealth Standards Conference held recently in New Delhi. The pioneering work that the ISI has undertaken in this field is not known to have been tackled anywhere on the present level.

Yet another project of positive consequence recently taken up by the ISI in earnest is the exploration of ways and means to achieve economy in the utilisation of steel without detriment to the efficiency in service. The country has embarked on a large programme of steel production, but the new units cannot be expected to produce steel to full capacity for a number of years. Even so, the expanding demand will be far in excess of the projected supply and economy in use will continue to be necessary. The ISI programme embraces almost all aspects of steel production, beginning with basic prodcuts and proceeding on to design, fabrication and erection and the final aspects of maintenance and protection from corrosion. Closely related to this is the standardisation of metals and their products in general but structural metals in particular for co-ordinating the metallurgical and the use aspects. The scheme holds out the prospect of considerable saving, by means of standardisation of processes, in the quantities of metals required in the coming years.

THE ELITE OF UTTAR PRADESH

THE missing links in our knowledge of Indian economic affairs are being filled by a series of surveys, a number of them undertaken at the University level. The University of Lucknow has just released a preliminary study regarding the communications pattern of the elite of Uttar Pradesh. The survey makes an attempt to analyse the role of the elite in the economic life of the nation. Rightly or wrongly, the elite constitute a stratum of society which claim a position of superiority and in a way dominate the fate of the community.

The survey covers the city of Lucknow—the capital of the most populous State in the country. The universe constituted nearly 4,000 persons whose names were taken from the telephone directory, civil lists, lists of the professional associations and lists of the citizens invited to public functions. A sample of 900 was drawn in a purely random fashion. Unhappily, the response was nearly 70 per cent as no less than 259 persons declined to answer the questionnaire. The promoters of this study did not think it fit to replace the non-co-operators by new samples. Theoretically, this truncated sample fails to be truly representative of the universe and this is a major weakness of the study. Nevertheless, the samaple is the best available one. Perhaps replacement of such a high percentage would have enhanced the weightage of the lower income-groups.

The table alongside gives the break-up of the sample according to caste, sex, age, income, occupation and education. It makes it clear that the people who count in society come—at least the majority of them—from the upper castes. Also women, despite equality granted to them by the Constitution, have to make a great leeway in order to achieve equality with men. In a sense, inferior caste status and womanhood are two negative values which handicap the entry into the society of the elite. Even though one-fourth of the elite were in the age group of 50 years and above, it is clear that quite a high percentage of persons attain prestige and status in life on attaining middle age. Contrary to common belief, income does not necessarily seem to play a major role in enhancing the social status of a person. Nearly one-third of the people, who were considered in this survey of "the chosen few" from the city of Lucknow, had a monthly income of Rs. 300 or below. Those having an income of Rs. 1,000 and above constituted a little over 12 per cent.

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THE SAMPLE

	Score Points	Nos.	Percentage
(1) **Caste Group**			
(a) Upper Castes	1	480	74.88
(b) Intermediate Castes		9	1.41
(c) Lower Castes, Non-Hindus and Refused	0	152	23.71
TOTAL		641	100.0
(2) **Sex**			
(a) Males		630	98.29
(b) Females		11	1.71
TOTAL		641	100.00
(3) **Age**			
(a) 20 to 34 years	0	187	29.17
(b) 35 to 49 years	1	287	44.77
(c) 50 years and above	2	162	25.37
(d) Refused	0	5	0.79
TOTAL		641	100.00
(4) **Income Group**			
(a) Below Rs. 300 and Refused	0	189	29.49
(b) Rs. 300 to Rs. 499	1	201	31.36
(c) Rs 500 to Rs. 999	2	172	26.83
(d) Rs. 1,000 and above	3	79	12.32
(5) **Occupational Group**			
(a) Business men including private services	0	267	41.65
(b) Legislators	1	70	10.92
(c) Liberal Professionists	2	188	29.33
(d) Public servants	3	116	18.10
(6) **Educational Group**			
(a) Below High School and Refused	0	60	9.36
(b) High School and Intermediate	1	171	26.68
(c) Graduates and Post-Graduates	2	410	63.96
TOTAL		641	100.00

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With regard to occupation, the majority of the elite belonged to either business or liberal professions. Public servants and legislators formed less than one-third of the distinguished citizens. What is interesting is that nearly two-thirds had taken university degrees and hardly 10 per cent had completed not even high school education. It goes to prove that education has, without doubt, a clear correlation with the enhancement of status in life.

The respondents were asked whether they were satisfied with the present state of affairs in the country. Surprisingly a little more than half stated that they were satisfied. There seems to be no relationship between their status-scale (defined as a function of income, occupation and education) and their being satisfied with the state of affairs in the country. The analysis shows that there is no evidence to support the hypothesis that as an individual's status improves his outlook about the state of affairs in the country also improves. On the other hand, there seems to be a significant association between status and level of interests. The respondents were asked seven questions of general knowledge covering both national and international affairs to find out how far the elite were interested in socio-economic affairs both at home and abroad. The analysis of the returns showed that wherever the status had risen markedly, the interest in public affairs had widened significantly.

In order to determine the depth of interest in important socio-economic affairs, some specific questions were asked. The five topics most discussed were, cost of living, Indian politics, social problems, attitude to Pakistan and international affairs. The questions which were least discussed were, distribution of provincial boundaries, U.S. alliances, missionaries in India, Formosa issue and radio.

The survey makes an interesting study of the media of communications. The means of communication of the elite are of great importance in an economy like ours where planning dominates economic thinking. It is necessary that the elite get their impressions through means which are healthy and which do not run the risk of being choked. What is more important is the passing on of impressions from the elite to the lower strata of society and this communication between the two sectors is of vital importance for the successful working of our Plans. An important conclusion which this study has established is that not all the elite read newspapers nor do all of them have radios. Those who did not read newspapers formed hardly 3 per cent of the total sample, while as many as 30 per cent did not own a radio. It shows the magnitude of influence which the radio and the newspaper have on the thinking of the elite. What is more significant is that a majority of them consider the printed word as reliable and would not like to check up the authenticity of the information with any other source. After the newspaper, in order of importance, for most reliable sources of information, comes the radio. The least reliable source is considered to be information passed on in person.

This study has established an important conclusion that power in the community is not concentrated but is diffused along democratic lines. It seems that a slow and silent revolution is going on since independence which has dispersed power in society amongst a large number of middle-class people.

The study has undoubtedly performed a useful purpose of bringing the elite of one of the leading towns in Northern India under microscope. The most useful conclusion which needs to be underlined is that the average income of the elite worked out at Rs. 562 per month. Obviously that proves the hypothesis that the middle-classes dominate the community in India, especially in the urban areas.

THE EASTERN ECONOMIST

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I, Devi Prasad Sharma, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: 28th Feb., 1957.

(Sd.) DEVI PRASAD SHARMA,
Signature of Publisher.

The Business World

INDO-SWEDISH TRADE

A NUMBER of trade delegations from several European countries have been visiting the country lately. Following the recent visit of the delegation from Denmark came a trade-cum-goodwill delegation from Sweden on the invitation of the Government early in February. Another delegation from Finland is expected in due course.

During its stay in the country the leader of the Swedish delegation indicated that there existed vast possibilities of collaboration between India and Sweden for the purpose of starting or developing some mechanical industries in India. Regarding the possibilities of increasing trade he pointed out that there existed great scope for increasing imports from India of goods like textiles, coffee and tea. Markets for manganese and chrome ares could be found and developed. In view of the heavy outlay of foreign exchange India expects long-term credits as one of the ways to meet her requirements. At the present time she can hardly obtain help from Sweden in this direction. The chances of extending lon-term credits to India are very modest as the Swedish Government has imposed a 12 per cent tax on investment. The high standard of living in Sweden is indirectly responsible for the strains on the funds available in Sweden for investment. In Sweden nearly 30 per cent of the natural income is being invested since the war. This, however, does not imply that collaboration in capital investment has no prospect of being undertaken and encouraged.

The first trade agreement between India and Sweden came into being on the 1st of July 1950. This was only up to 31st December, 1950. After its expiry, further negotiations were started on the 28th February, 1951. As a result, another agreement was arrived at for a period up to the 31st December, 1951. It was extended for a period of 12 months ending 31st December, 1952. On June 1, 1953 another trade arrangement was arrived at which governed trade till January 1, 1955. A new agreement was concluded on 31st May, 1955 for a period of two years beginning from 1st January, 1955. The agreement provided for the usual export and import schedules and laid down that Indian goods in Sweden would receive the same treatment as goods originating in countries belonging to the O.E.E.C. The schedules were approved on 9th May, 1956 for one year, i.e., up to 31st December, 1956.

India's exports to Sweden for the years 1954-55 and 1955-56 have been of the value of Rs. 1.53 crores and Rs. 1.54 crores respectively. While in the same period India imported goods worth Rs. 6.03 crores and Rs. 7.86 crores respectively from Sweden. India thus had an unfavourable balance of trade with Sweden to the tune of Rs. 4.5 crores and Rs. 6.32 crores during the years 1954-55 and 1955-56 respectively. In fact, since the very inception of the trade agreement, India started having an adverse balance of trade with Sweden. The table alongside shows the position in this respect since 1951-52.

An analysis of the trends in the trade between the countries over the past two years reveals that India is importing more machinery of all kinds, paper, paperboard and stationery and instruments, electrical goods and apparatus etc. In fact India is now Sweden's best customer in Asia. India's exports to Sweden consist mostly of foodstuffs, paints, coffee, tea, spices, chemical products, hides, and skins, furs, rubber, textile fibres, yarn, ropes, iron and steel manufactures etc.

Indian industrial progress together with government's import policy for conservation of scarce foreign exchange is likely to affect the pattern of Indo-Swedish trade. A high tempo of development of our engineering and chemical products is therefore expected. But at the same time India's requirements of capital goods in view of her heavy industrial programme during the second Plan would increase. Imports of wrapping and packing paper, nails and rivets, wood screws, hardware, etc., from Sweden are likely to be curtailed as a result of the reduction in import quotas recently effected by the Government.

The scope for Indo-Swedish trade and economic collaboration is bound to expand except during periods of import restriction. As an industrially advanced country Sweden can aid India in implementing her development plans by supplying technical know-how. Since Swedish market is a highly competitive market, Indian goods will have to respond to the needs in Sweden. In this connection more direct contacts by Indian exporters with Swedish importers could be of invaluable help to promote trade between the two countries. Participation by each country in the fairs and exhibitions arranged by each could also contribute to acquiring knowledge of the trade potentialities in each country and the transactions of business. There are good possibilities of export from India of articles like sugar, confectionary, processed oils and fats, for which quality needs to be maintained. Every effort should be made to answer to Swedish standards of imports and goods of the requisite quality should be made available to them at competitive prices.

Indo-Swedish collaboration can be extended in various fields such as pressure lamps and stoves, industrial fans and airconditioning equipment. Sweden could possibly co-operate in the manufacture of these. In respect of ship-building Sweden could assist India. As reported by the delegation, discussions have been initiated by Swedish business men with individual firms for collaboration in the spheres of engineering, machinery manufacture and transport. It is now for trade interests in both the countries to give concrete shape to it.

(Value in Rs. lakhs)

Year	Imports in India	Exports from India	Balance of Trade
1951-52 ..	7,48	2,41	—5,07
1952-53 ..	5,68	1,80	—3,88
1953-54 ..	6,19	1,58	—4,61
1954-55 ..	6,03	1,53	— 4,5
1955-56 ..	7,86	1,54	—6,32
April-Sept. 1956	6,17	67	—5,50

THE STATE BANK IN 1956

AN unprecedentedly large demand for bank credit as a result of a combination of various factors, a steady rise in advances without a commensurate increase in deposits and an increase in interest rates both on advances and deposits are among the main features of banking operations during 1956 as outlined in the report for the year of the Central Board of Directors of the State Bank of India. The factors responsible for the increased credit demand were broadly the monetary stringency and a continued upward trend in the revised index of industrial production (base 1951=100) which rose from 112.9 in 1954 to 122.1 in 1955 and further to 145.8 in September 1956. Among other contributory factors there was a sharp rise recorded by the general index of wholesale prices (base 1939=100) which stood at 428.9 in December last year as compared to 368.2 a year earlier. Foreign trade also registered an increase of Rs. 115.8 crores in the first nine months of 1956 over Rs. 915 crores of the corresponding period of 1955. Only agricultural production declined in 1955-56 to an index of 113.7 from a slightly higher figure of 116.4 in the preceding year.

In the case of the State Bank of India the increase in advances was of the order of 32.5 per cent from the already high level of a little under Rs. 103 crores in January to Rs. 135.4 crores in March which towards the end of May 1956 reached the figure of Rs. 136.3 crores. At the end of the year, the Bank's advances stood at Rs. 135 crores of which Rs. 100 crores was in the private sector. Flowing from this was a rise of nearly 15 points in the percentage of advances to deposits while in other reporting scheduled banks the increase was relatively lower at 6 points indicating that the State Bank's advances rose faster than those of other reporting scheduled banks. The decline in the slack season was also faster from 65.3 to 61.3 per cent, or 4 points, as against only 1.6 points in the case of other banks.

The rate of rise in deposits was not able to keep pace with the rise in demand for credit. The Bank's total deposits, comprising a dominating percentage of 81 of demand deposits, showed an increase of a meagre 8.8 per cent from Rs. 203.6 crores in January to Rs. 221.5 crores at the end of the year. The expansion in advances had therefore to be financed by drawing upon the investment portfolio and cash balances and by borrowing from the Reserve Bank, to the extent of Rs. 39.2 crores, Rs. 37.4 crores and Rs. 7.8 crores respectively. In a little over six months from the beginning of November 1955 the Reserve Bank's outstanding amount went up by Rs. 68.5 crores. The cumulative effect of the above factors was the forcing up of interest rates on call and deposit money as well as on advances. Thus the call rates ranged between 3 per cent in January and the highest of 4-1/8 per cent in March in Calcutta. Deposit rates now rule at 3 to 3-15 16 per cent for three and six months deposits. Accordingly, the State Bank has now raised its interest rates on savings and fixed deposits and has decided to accept short-term deposits of larger amounts up to 3 months at negotiated rates with a view to augmenting its resources as well as improving facilities to depositors.

Section 16(5) of the State Bank of India Act requires that, in order that banking development, particularly in rural and semi-urban areas, may be stimulated, the Bank should, by July 1960, establish 400 new branches. But in the year under review it has been able to open only 46 branches which shows that the progress falls for short of the requirements. Some measures have, however, been set in motion to accelerate the pace but at best it may be said that the first year has been only a period of preparation and co-ordination. Enjoying the advantage of subsidies in case of losses incurred in branch expansion the Bank should not find it difficult to increase its rate of branch opening.

One of the major responsibilities of the Bank is the extension of liberal facilities to rural co-operative institutions in the matter of advances. In accordance with this, the Bank's policy is to give indirect assistance in regard to the provision of long-term finance for agriculture through Land Mortgage Banks. A liberalised credit scheme has also been put into operation which provides for relaxation in the rigidity of conventional assessments and administrative procedures in the case of small industries. In appropriate cases such applicants can even be considered for clean advances. It must, however, be recognised that relaxation of standards alone cannot solve the whole problem. Improvements in technique and in the quality of products will need to go hand in hand with the measures envisaged to enhance their claim to larger credits. This part of the problem is essentially for the Government to keep in view while giving encouragement to small industries. Nevertheless, the relaxations introduced by the Bank should be expected to encourage and increase the momentum of the development of small industries in the country.

A full picture of the progress made by the Bank and of the efficient financial management can be gathered from the annual address of the Chairman, Mr. H. V. R. Iengar, and the balance sheet published elsewhere in this issue.

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GOVERNMENT SANDALWOOD OIL FACTORY MYSORE

BUSINESS NOTES

RECORD TEA EXPORT

AT A TIME when the planners in this country are exercised over the widening gap in the foreign exchange resources, it is a matter of no small comfort to see the bright performance of one of the principal foreign exchange earners during the last year. The quantity as well as the value of exports of tea reached a new all-time record with 516 million lbs. and Rs. 140.6 crores respectively. Compared with the total exports in 1955 which were 363.8 million lbs. valued at Rs. 112.7 crores, the figures speak for themselves. What is of greater interest is that tea exports in 1956 more than recovered the ground lost in 1955 because the value of the exports in 1954 was over Rs. 131 crores and the total quantity exported was about 450 million lbs. Another significant matter to be noted is that the increase in the exports in 1956 was shared by all the principal markets for Indian tea as will be clear from the following table:

	Quantity		Value	
	1955	1956	1955	1956
	(in million lbs.)		(in crores of Rs.)	
United Kingdom ..	248.9	366.5	73.3	100
United States ..	23.7	28.5	N.A.	N.A.
Canada ..	16.3	22.6	5.4	6.5
Egypt ..	12.9	21.6	3.9	5.9
Australia ..	6.1	9.4	2.05	2.71

The striking increase in the exports to Egypt is not only due to India's persistent efforts at increasing her sales in that country but due to the Suez crisis and the blocking of Egypt's sterling balances which has turned to be to her advantage, because this had resulted in Ceylon, which had so far dominated the Egyptian market, lose its advantage as the Ceylon-Egyptian trade had been carried through the sterling. In the case of trade with India, it has continued because Egypt has a direct payments agreement with India. Another important factor is that Russia, which did not buy any tea in 1955, bought a substantial quantity in 1956.

However, there is no need for any complacency in this regard because India has always to reckon with severe competition from Indonesia, Japan and East African countries. This calls for continued vigilance by the Tea Board as well as the Joint Tea Promotion Councils set up abroad in various countries to look after the export side of the industry and properly guide market expansion. But in the last resort, export promotion depends on the internal health of the industry and here the recommendations of the Plantation Enquiry Commission have caused considerable misgivings. Production this year amounted to only 663.6 million lbs. compared to 667.6 million lbs. last year. This is stated to be due to the voluntary restriction on plucking imposed by producers' associations in N.E. India. However, much depends on the long-term policy that the Government has yet to evolve on a realistic appraisal of the conditions in the industry.

HIGHER PRICE FOR COAL

THE GOVERNMENT of India has reportedly decided to increase the control price of coal by Rs. 1-2 per ton. This increase is meant to cover the additional cost of higher wages granted by the Appellate Tribunal to colliery labour. It was stated on behalf of the employers that an increase in price of Rs. 1-14 would be unavoidable to cover the higher wage bill. A very elaborate investigation will be necessary to work out the exact incidence of the higher wages now granted on the labour cost of the collieries. It is, therefore, difficult at the present moment to estimate how far the proposed increase meets the requirements of the situation.

An important problem raised by the Appellate Tribunal's decision related to the liability of colliery owners to pay the increased wages with retrospective effect from the date of announcement of the original Award. This liability has been estimated at Rs. 4.75 crores. An increase of annas six per ton in the price of coal, it is said, is to be levied for a period of two years to meet the arrears of wages due on account of the retrospective payment. This device is a welcome feature of the new scheme of coal price. But agreement will have to be evolved to spread this payment over a sufficient period of time.

It need not be supposed that this is the end of the increase in coal prices. So far, the problem of enabling the industry to obtain financial resources for the coal plan has not been faced. There is hardly any doubt that at least some part of the development outlay required by the industry will have to be found by means of an increase in coal prices.

AN EXPERT ASSESSMENT OF INDIAN RAILWAYS

THE RADIO interview of Mr. J. E. Slater, leader of the World Bank's team of consulting engineers, which was broadcast on the All-India Radio on Sunday last gives some insight into the assessment made by the team of the problem of railway development. There can be no doubt now that the experts are carrying with them a good impression of the present performance and of the need to help the railways to meet their financial requirements in the immediate future. Mr Slater expressed his satisfaction at the manner in which the Railway Board prepared the railway development plan —the care and objectivity with which it has been drawn up.

The team of consultants visited all the railways except the North Eastern Railway. Its personal sample surveys of the operations on lines and yards as well as in workshops congested with heavy work has assured it that the railways are managing their tasks efficiently. Mr Slater refrained from making any comparisons between the operational efficiency of Indian railways with the efficiency of railways in other advanced countries for the reason that the problems were not identical. Priority in development will naturally be given to strengthening and extending the line capacity. The marshalling yards, crossing routes, tracks and rolling stock are the main factors on which line capacity depends.

What Mr. Slater had to say about the problem of locomotives confirms the approach of the Railway Board. He has emphasised that railways should change over from coal traction to electric traction to the maximum extent possible. In view of the prospective availability of cheap hydro-electric power there is, of course, great scope for the adoption of electrically operated locomotives. Although diesel locomotives are cheap, in the present state of India's known resources of petroleum, it would not be advisable to make any large-scale change to this type of locomotives for it is obvious that considerable foreign exchange will have to be spent on import of diesel fuel as an absolute normal requirement.

It is somewhat paradoxical that a team of technical consultants should be charged with the task of tender-

ing opinion regarding the ability of the railways to provide funds for development. This paradox apart, there are positive indications that here too Indian railways have demonstrated their readiness to contribute their reasonable share of development finance. Furthermore, as is now quite clear, they will raise additional finance by increasing their rates and fares. These funds will go to meet the rupee expenditure. The World Bank's loan will be needed for meeting the foreign exchange requirements in a substantial measure. It was not reasonable to expect Mr Slater to give any indication of the team's view on this question. The requirements of the railways in respect of foreign exchange in the plan are of the order of Rs. 425 crores. It is anticipated that the initial loan which will be granted after the experts' report is submitted and discussions are held by the Bank with the Government, will be in the neighbourhood of Rs. 200 crores.

HEAVY MACHINERY PROJECT

THE REPORT of the British Heavy Machinery Mission places emphasis on decentralisation in that it recommends four independent, self-contained units at a cost of Rs. 5 crores each. The Russian scheme, on the other hand, envisages a huge plant for the production of machinery and equipment at an estimated outlay of Rs. 84 crores. This is exclusively as regards the outlay involved. The main problem in any heavy machinery project is the availability of foreign exchange resources. While the Soviet experts have indicated some possible assistance by their Government the British report is silent on the matter. The foreign exchange content of the Russian project is expected to be half the total cost. The National Industrial Development Corporation has also taken up the establishment of a heavy steel foundry and forge shop facilities and the Plan has made a provision of Rs. 12 crores for this purpose. Since the report of the British experts covers the same ground as the Russian report—both in relation to the NIDC project —it is likely that all the schemes will now be studied together in an attempt to co-ordinate them.

Under the Industrial Policy statement of April last, the State has assumed full and exclusive responsibility for the development of the machinery industry. Heavy engineering industries are a natural corollary of the iron and steel works for which the second Plan has given top priority. But it is important to realise that a quite substantial portion of the expenditure on machinery is on items which are required by industries generally and are in no sense specially intended for steel plants. Such requirements are at present met mainly by imports. The programme of development of heavy engineering industries now visualised is thus essentially preparing the ground for perspective planning.

STAPLE FIBRE FACTORY IN NILGIRIS

TEXTILE INTERESTS in South India, in collaboration with the Government of Italy and Italviscosa Eastern Trading, Milan, are reported to be exploring the possibilities of setting up a rayon and staple fibre factory in Mettupalayam at the foot of the Nilgiris. Next perhaps to the completion of the two petroleum refineries rank the achievements of the rayon and staple fibre industry in India's planned economy. From its beginnings, associated with the commencement of the first Five-Year Plan, the rayon industry has progressed, within the short space of over five years, with such confident strides that the private sector may well feel proud of its achievements thus far and sure of undertaking new responsibilities, in this direction, with zest and vigour.

The proposed factory at Mettupalayam in South India, the total capital requirements of which are estimated to be of the order of Rs. 7 crores, will have an installed capacity of 10 tons each of rayon and staple fibre per day. While the Southern textile interests are expected to invest a crore of rupees, the Government of Italy and Italviscosa Eastern Trading, Milan, would appear to have agreed to an investment and long-term loan to the extent of 80 per cent of the aggregate capital outlay.

An important landmark in the history of the rayon industry was established towards the end of 1956 when the Gwalior Rayon Silk Manufacturing (Weaving) Co., Ltd., Nagda, completed its first major extension scheme in record time with a view to making India self-sufficient in staple fibre. The Nagda unit is the only unit producing staple fibre in India. The proposed Rayon factory at Nilgiris, which is also expected to undertake staple fibre production, will be the second unit of this kind.

It is agreed on all hands that, during the last two or three years, there has been a phenomenal improvement in the development of man-made fibres in the principal textile countries of the free world. With the new plant capacity continuing to be installed, providing the basis for further increases in the production of man-made fibres in the future—as for instance in this country—there is bound to be an ever-widening scope for exploitation in this industry.

The national importance of encouraging the setting up of a new factory which would ensure additional production of rayon and staple fibre, in the import of which India has to spend, on an average, Rs. 17 crores, cannot be under-estimated. At a time when there is a concerted drive on all fronts to save as much foreign exchange as possible, the establishment of a new rayon and staple fibre factory, which would eventually lead to a considerable reduction in the import of not only these goods but also of quite a sizable volume of long-staple cotton (staple fibre is a useful substitute for long-staple cotton) which is in short supply in this country, must be deemed a step in the right direction.

STANDARD BATTERIES

THE SPEECH delivered by Mr R. D. Char, Chairman of the Standard Batteries Ltd., at the annual general meeting of the Company, indicates the extent to which valuable exchange can be saved on batteries. He estimated that the railways, telegraphs and telephones and the special batteries for the Defence Services have a demand during the plan period of nearly 2½ to 3 crores of rupees worth of lead acid batteries annually, which are mostly imported. He also pointed out that the company's "Standard RPG" Tudor's Patent railway train lighting cells were now in commission in all the railway systems and foreign exchange to the extent of Rs. 3 crores could be conserved by the country on this item alone if production and offtake were put on an economic war footing. The demand for automobile batteries is also increasing, but the upward tendency may not continue if the road transport industry throughout the country is not allowed to fill the gap in the transport problem. The company has thus to turn its attention to satisfying an increasing demand for many of its products. As finance is one of the main problems they have to face, the Chairman announced that they may issue a further 12,500 shares for increasing the capital of the company by Rs. 12,50,000. The laboratory of the factory has been completely reorganised and special latest testing equipment have been installed. All these indicate that the company can look to the future with confidence in contributing its share to the industrial development of the country.

Company Meeting

THE STANDARD BATTERIES LIMITED

Speech delivered by Shri R. D. Char, Chairman, The Standard Batteries Ltd., Bombay at the Eleventh Annual General Meeting of the Company held on Thursday the 31st January, 1956

Gentlemen,

Allow me to extend to you on behalf of myself and my colleagues on the Board, a cordial welcome to this Eleventh Annual General Meeting of your company.

The Directors' Report and the Statement of Account together with the Auditor's Report for the year ending 30th June, 1956 have been in your hands for some time and I will take these with your permission as read.

In this year under report, I am glad to inform you that there has been a steady increase in the users of our automobile batteries. This upward tendency curve, I am afraid, may start flattening out unless favourable climate is created for the road transport industry throughout the country to quickly catch up and fill the gap in our transport problem. During the year under report, several new processes in the manfuacture, test and control were put into operation and as a natural consequence the period of guarantee on our car batteries was increased from 6 months to one year. In spite of this increased period of guarantee, the percentage of claims, I am glad to inform you, has come down considerably as compared to the previous years. This can only be accounted for the improvement in the manufacturing process and strict laboratory controls.

The laboratory has been completely reorganised and special latest testing equipment have been installed. Some more of the testing and control instruments have been ordered out overseas during the year under report. They are expected during the current period. With the installation of these, the laboratory at our works would be able to tackle all the problems involved in the development, testing and control comparable with any modern unit of our size in Europe and America.

With the continuous operation of our Lead Refining Plant at the southern end of our factory, it was decided to rearrange the various manufacturing process with a view to streamline the flow of manufacture and material handling. Most of the re-organising work is nearing completion during the current year. All this had to be achieved with as little dislocation in the day to day production to meet the regular demands.

You will see from the above that during the year under report, your company had concentrated in improving the quality, test and control and in the reorganisation of the plant. It is expected in the coming years that this new arrangement will substantially reflect on the results of the working of your company.

Our "STANDARD RPG" Tudor's Patent railway train lighting cells are now in commission in almost all the railway systems. Their initial tests at the different railways have been uniformly very good. Your company is looking forward for an early decision from the Government to utilise our capacity. Foreign exchange to the extent of Rs. 30,00,000 could easily be saved during this year and during the next four years of the Plan period foreign exchange to the extent of Rs. 3 crores can be conserved by the country in this item alone if production and offtake are put on an economic war footing. The "STANDARD RPG" railway cells have decided advantages and improvement over the older tubular or 'pencil' type batteries that are familiar to our railways. We are ready and look forward with great hope the decision of our Railway Board.

Prototypes of Telephone cells of "STANDARD TPg." type are on test and your company is confident in the not distant future to get its legitimate share in this field of considerable offtake in the country.

Our "MITEX" microporous rubber separator plant started actually arriving at the fag end of the year under report. The erection is complete and trial runs are being taken. There was quite a bit of delay in shipment from our overseas suppliers.

With the separator plant in production, your factory will be producing cent per cent of all the components, under strict quality control, that go to a modern long life battery for the first time in this country. The effect of this is far reaching.

Most of our equipment and machinery were installed some ten years ago. There have been many improvements and developments in the process and design of important special purposes machines in Europe during this period. Your Directors are constantly in touch with these developments and also through our technical collaborators Messrs. A. B. Tudor of Sweden. Action was taken to replace some of them and add a few balancing units during the year and were received and installed in the current year.

To finance this new capital investment, your Directors issued the balance of the unissued capital of Rs. 5 lakhs during the current year. All this issue is fully subscribed and at present the issued and paid up capital of your company stands at Rs. 25,00,000. As mentioned earlier, we have still to order out some more balancing units in our container plant and other processes to take care of the diversification of production to meet the various demands on your factory. This demand has increased considerably of late.

In achieving this objective, we shall have to face a variety of problems and the most important being finance. Your Directors have given considerable thought to this and will be coming in the near future before you for permission to increase the capital by Rs. 12,50,000 by issuing further 12,500 Ordinary Shares. Arrangements in this connection are being made and when completed will be put before you for approval. I have the assurance from a financing institution of high repute and considerable resources to underwrite this whole new issue. This testifies the financial stability and future possibilities in the diversification of production that is on the anvil of the company.

The Railways, Telegraphs and Telephones and the special batteries for the Defence Services, I have reason to believe, have a demand during the Plan period of nearly 2½ to 3 crores of rupees worth of lead acid batteries annually, which are today mostly imported items. It is your Directors' aim and objective to equip with the necessary facilities to meet the challenge of

the foreign exchange shortage facing our Government in the second Plan period.

You factory, may I say with pardonable pride, is the only hundred per cent national unit in the country, which is organised and equipped for building lead acid batteries for various applications in industries, transport, communication, traction etc., and I have hopes during this second Five-Year Plan to fulfil our due share in reducing the imports on this account.

I take this opportunity of sincerely thanking all our customers, distributors, automobile manufacturing industry and the various departments of the Government for the continued patronage and goodwill shown towards us. It is our business to build better batteries and to this end all our efforts are geared.

The officers, members of the staff and operatives of the Company are fully aware of the great task ahead of us and I thank them sincerely on your behalf for their co-operation.

With these words, I beg to move that the Directors' Report and audited Balance Sheet as at 30th June, 1956 and the Profit and Loss Account for the year ended 30th June, 1956 be and are hereby approved and adopted.

THE STATE BANK OF INDIA

Speech by the Chairman, Shri H. V. R. Iengar, at the Second Annual General Meeting of the Shareholders held in Bombay

I have much pleasure in welcoming you to the Second Annual General Meeting of the State Bank of India.

2. When Dr Matthai addressed the shareholders at the Meeting held in February 1956, the report which he presented covered a period of only six months, viz., from the 1st July 1955, when the Imperial Bank of India was converted to the State Bank of India, to the 31st December 1955. The report which has been circulated to the share-holders for discussion today covers a whole year's working of the Bank in 1956 and provides a fuller opportunity than my predecessor had for considering to what extent, in its actual functioning, the Bank is fulfilling the purposes for which it was nationalised.

3. When it was decided that the Government of India should take up the effective ownership and control of the Imperial Bank of India, several voices were raised against the step, principally on the ground that the role of this great institution, which has played so dominant a part in the field of commercial banking in the country, would be somehow distorted by the intervention of Government. Little comfort was taken from the assurance that Government would not interfere in its day-to-day operations and that in fact it would operate on sound commercial lines with due regard to public interest. Immediately after the announcement about the Government of India taking over the controlling interest in the Bank, the volume of deposits decreased, possibly by transfer to other Scheduled Banks.

4. The working of the Bank since nationalisation has made it clear that the assurance given by Government and embodied in the State Bank of India Act is being scrupulously observed. There has been no interference whatever by the State in the day-to-day operations of the Bank. Certain State enterprises have applied to the Bank for advances and all these have been accepted in full but on normal commercial terms. No discrimination in favour of such enterprises, such as, for instance, in the rates of interest, has been asked for. It would be relevant to point out in this connection that the sanction of advances to State enterprises has not restricted in range or volume the sanction of advances to enterprises in the private sector. On the contrary, consistently with the rising tempo of economic activity, our advances to the private sector of commerce and industry have increased very substantially—from Rs. 72 crores in December 1955 to approximately Rs. 100 crores in December 1956.

5. I think the public has fully realised that the apprehensions expressed at the time of announcement of the taking over of the ownership of the Imperial Bank of India by the State are unjustified. The consequence of it has been that our deposits have been steadily rising. As stated in the report, the increase in deposits during 1956 was 8.8 per cent against 7.8 per cent in the case of other Scheduled Banks. A perusal of the mere percentage increases does not, however, give a full picture of the actual developments that have taken place. During 1956, on account of the tightness of the money market, Scheduled Banks generally raised rates of interest on deposits, in many cases quite substantially. The State Bank maintained its old rates unchanged at a traditionally low level for the first 11 months of the year. The increase in deposits therefore took place in spite of the fact that interest rates in other Scheduled Banks were much more attractive. Even the changes made with effect from the 1st December 1956 may be described as mere readjustments to a rapidly changing situation and in no sense an attempt to catch up with other Scheduled Banks.

6. This seems to be an appropriate moment to refer to the criticism sometimes made about the State Bank, viz., that because it is a State Bank operating in the commercial field it has certain inherent advantages over the other Scheduled Banks and that it is using its privileged position to attract business to itself. If it were, indeed, to be the policy of the State Bank to operate flat out as a commercial institution irrespective of the consequences to other Scheduled Banks, it would have been quite easy to increase its interest rates still further and I have little doubt that thereby a much larger volume of deposits would have accrued to us, some of it perhaps in the form of fresh deposits but a larger proportion as diversions from other banks. As a matter of deliberate policy the State Bank has declined to pursue such a step. We cannot forget the historical traditions of this ancient institution. Moreover, although the Statute authorises us to operate as a commercial bank, it enjoins on us due regard to the public interest and we have interpreted this to include our obligations to the banking structure as a whole. It is not our intention to enter into a race, as we could easily do if we were merely concerned with swelling our profits. On the contrary, it is our hope that by pursuing a policy of moderation in our rates both for deposits and advances, we may act as a steadying influence, more particularly during a period of great stringency when runaway conditions are so easy. Even so the shareholders will observe that our profits have increased, substantially, principally by the larger turnover of our funds.

7. I would like to refer to a new item in the Balance Sheet, viz., allocation of Rs. 10 lakhs to the Staff Welfare Fund. It is my view, with which the Directors are in complete agreement, that steps should be taken for the purpose of improving the working conditions of the staff employed by the Bank. Some of the items about which representations have been made by the staff, for example, housing in the big cities, raise problems of resources which can be handled only gradually. An attractive solution that has been suggested is the formation of co-operative housing societies for members of the staff, such societies to be assisted by the Bank both by the provision of long-term credits on easy terms as well as possibly in other ways. Such schemes have been tried elsewhere and have the great merit that the staff not merely get houses for living in but will also, in due course, own them. Discussions on these lines have been held with the office-bearers of the Federation of the employees' associations and I hope it will be possible to take concrete measures in the near future. In the meanwhile, the sum of Rs. 10 lakhs will enable us to deal with pressing items such as the improvement of canteens and the provision of recreational facilities.

8. It is not necessary for me to comment in any detail on the programme of assistance to the small scale industries and the branch expansion programme, these being the programmes which may be regarded as fulfilling the requirements in our charter to operate "with due regard to the public interest." In the field of small-scale industries our activities are still somewhat exploratory in character. But for a Bank with our traditions it has been a big step to break away from the concept of security of property as the main criterion for making an advance and to be prepared to give credit on the basis of mere capacity to produce and sell. The extent to which we can increase our advances to small-scale industrialists is not, however, a matter solely of relaxing conventional assessments of creditworthiness. It is much more a question of the improvement of techniques, with a consequent improvement in the quality of products and their saleability. In fact, credit and the improvement of techniques have to go side by side. The latter is, however, a matter which is outside the normal sphere of a banking institution. I know that the Government of India are keenly alive to this problem and hope that the steps which they have initiated in this field will acquire increasing momentum during the Plan period.

9. In the report which has been circulated reference has been made to relations of the State Bank with co-operative institutions. Here again is a field in which we are only making a beginning. In the second Five-Year Plan a new impetus is being given to the co-operative movement in the country. The possibilities of progress are immense, and it will be no exaggeration to say that co-operative institutions could form a dominant part in the country's economy. The State Bank will always be ready to play a helpful and constructive part in the development of such institutions. The exact form and pace of such assistance as well as the structure of the relations between co-operative banking and the State Bank are a matter requiring further thought and perhaps experimentation as we go along.

10. In concluding this speech, I should be failing in my duty if I did not pay a tribute to all those who helped in making the transition from a shareholders' bank to a predominantly Government-owned bank smooth and easy. Most of the initial difficulties were solved during the Chairmanship of Dr. Matthai; to him the Bank owes a great deal for the strong position in which it finds itself today. Some problems had been left over when I took charge from him on the 1st October 1956. These related principally to staff emoluments at higher levels and more particularly to the payment of bonus. Government felt that, consistently with their obligations to the widening network of the public sector of the economy, they had to ask the State Bank to conform to certain principles. I am glad to say that these difficulties have since been solved by mutual discussion and I would like to take this opportunity of expressing my obligations to Government for the understanding that they have shown in the matter.

11. One last word but, from my personal point of view, a very important one. This is my last official function in the State Bank for, tomorrow, I am handing over charge to Shri Bhattacharya. I have greatly enjoyed working in this institution and I am sure the experience I have gained, short as it is, will be of real help to me in my new responsibilities. I would like to express my gratitude to the officers and the rest of the staff for their unfailing assistance and I am sure they will give it in equal measure to my successor.

SUNEJA'S

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NEW DELHI.

Balance Sheet of the State Bank of India as at 31st December 1956

CAPITAL AND LIABILITIES	Rs.	As.	Ps.	Rs.	As.	Ps.
1. **Capital :**						
Authorised Capital—20,00,000 shares of Rs. 100 each	20,00,00,000	0	0			
Issued, Subscribed and Paid-up Capital—(pursuant to Section 5(1) of the State Bank of India Act, 1955)—5,62,500 shares of Rs. 100 each				5,62,50,000	0	0
2. **Reserve Fund and Other Reserves**				6,37,50,000	0	0
2A. **Integration and Development Fund (maintained** under Section 36 of the State Bank of India Act, 1955)				24,75,000	0	0
3. **Deposits and Other Accounts :**						
Fixed Deposits	37,15,69,789	7	6			
Savings Bank Deposits	31,04,63,523	5	0			
Current Accounts, Contingency Accounts, etc.	173,91,97,484	9	3	242,12,30,797	5	9
4. **Borrowings from Other Banking Companies, Agents, etc.**						
(i) In India	16,00,00,000	0	0			
(ii) Outside India	1,27,00,000	0	0	17,27,00,000	0	0
Particulars :						
(i) Secured by Government Securities and Bills Discounted per contra	17,27,00,000	0	0			
(ii) Unsecured	..					
	17,27,00,000	0	0			
5. **Bills Payable**				4,59,11,751	14	5
6. **Bills for Collection being Bills Receivable** as per contra :						
(i) Payable in India	38,88,005	8	11			
(ii) Payable outside India	26,43,360	13	8	65,31,366	6	7
7. **Other Liabilities :**						
*Dividend for the current year	90,00,000	0	0			
Unclaimed Dividends	1,972	3	0			
Inter-Office Adjustments (including Rs. 2,87,208-10-2 due to Imperial Bank of India)	1,99,69,832	9	10	2,89,71,804	12	10
8. **Acceptances, Endorsements and Other Obligations** per contra				8,21,822	3	5
9. **Profit and Loss :**						
Balance brought forward from last year	34,37,334	14	8			
Profit for the year	1,56,18,326	11	9			
	1,90,55,661	10	5			
Amount set aside for payment of Dividend	90,00,000	0	0			
Amount transferred to Reserve Fund	2,50,000	0	0			
Amount transferred to Pension Funds	6,14,300	0	0			
Bonus to Staff	40,00,000	0	0			
Amount transferred to Staff Welfare Fund	10,00,000	0	0	41,91,361	10	5
10. **Contingent Liabilities :**						
Claims against the Bank not acknowledged as debts	Rs. 5,81,858	2	5			
Bills of Exchange rediscounted	Rs. ..					
Outstanding Forward Exchange contracts	Rs. 28,43,18,957	5	6			
Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank	Rs. 62,692	12	10			
Guarantees given on behalf of others	Rs. 12,55,84,873	8	4			
Total				280,28,33,904	5	5

*Of which Rs. 49,50,000 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 74,25,000.

PROPERTY AND ASSETS	Rs.	As.	Ps.	Rs.	As.	Ps.
1. **Cash :** In hand and with Reserve Bank (including foreign currency notes)				24,52,12,098	10	2
2. **Balances with other Banks:** On current account Rs. .. On deposit Rs. ..						
(i) In India	..					
(ii) Outside India Rs. 3,25,75,749-8-11	3,25,75,749	8	11	3,25,75,749	8	11
3. **Money at Call and Short Notice**				1,06,66,666	10	8
4. ‡**Investments** (securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost)						
(i) Securities of the Central and State Governments and Trustee Securities, including Treasury Bills of the Central and State Governments	93,80,71,576	9	11			
(ii) Shares authorised under the State Bank of India Act, 1955	61,75,618	7	0			
(iii) Debentures or Bonds	1,09,83,750	0	0			
(iv) Other Investments—Pakistan and other Government Securities etc.	11,35,47,330	5	3	106,87,78,275	6	2
‡Of which investments of the face value of Pakistan Rs. 2,57,10,900 are pledged against borrowings from other Banks, Agents, etc. per contra						
5. **Advances :**						
(I) Loans, Cash Credits, Overdrafts, etc.—						
(i) In India Rs. 103,40,93,008 12 9						
(ii) Outside India Rs. 4,00,65,022 12 1	107,41,58,031	8	10			
‡(II) Bills Discounted and Purchased—						
(i) Payable in India Rs. 30,45,41,226 15 11						
(ii) Payable outside India 2,29,00,519 15 0	32,74,41,746	14	11	140,15,99,778	7	9
‡Of which bills of the value of Rs. 24,03,00,000 are held by the Reserve Bank of India as security against borrowings as per contra Particulars of **Advances:** See separate Statement appended.						
6. **Bills Receivable being Bills for Collection** as per contra :						
(i) Payable in India	38,88,005	8	11			
(ii) Payable outside India	26,43,360	13	8	65,31,366	6	7
7. **Constituents' Liabilities for Acceptances, Endorsements and Other Obligations** per contra				8,21,822	3	5
8. *Premises less Depreciation :						
Total Cost up to the 31st December, 1955	1,16,99,825	5	10			
Additions (Rs. 1,48,197-10-0) less Deductions (Rs. 4,77,840-1-2) during the year	3,29,642	7	2			
	1,13,70,182	14	8			
Amount transferred from the Imperial Bank of India during the year	10,57,641	4	4			
	1,24,27,824	3	0			
Depreciation written off up to the 31st December 1956 less depreciation previously provided on property which has passed out of the Bank's possession	4,40,678	0	0	1,19,87,146	3	0
9. *Furniture and Fixtures less Depreciation :						
Total Cost up to the 31st December, 1955	50,37,487	3	6			
Additions (Rs. 14,02,016-6-8) less Deductions (Rs. 24,838-3-11) during the year	13,77,178	2	9			
	64,14,665	6	3			
Amount transferred from the Imperial Bank of India during the year	4,83,980	1	7			
	68,98,645	7	10			
Depreciation written off up to the 31st December 1956 less depreciation previously provided on property which has passed out of the Bank's possession	9,40,700	7	9	59,57,945	0	1
10. **Other Assets, including Gold and Silver :**						
Bullion	1,18,08,047	10	0			
Adjusting Account of interest, commission, etc.	68,95,008	2	8	1,87,03,055	12	8
11. **Non-banking Assets Acquired in Satisfaction of Claims**				..		
12. **Profit and Loss**				..		
Total				280,28,33,904	5	5

*Note—Includes Rs. 1,30,705-8-6 (against which a sum of Rs. 53,947-10-0 is still to be received) being written down value of certain Pakistan assets sold, pending completion of formalities.

Profit and Loss Account for

EXPENDITURE	Year ended 31-12-1956 Rs. as. ps.
1. Interest paid on Deposits, Borrowings, etc.	1,58,87,349 9 7
2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 51,890-14-3 and Managing Directors Rs. 1,07,208-13-2 for the year)	4,38,16,064 10 0
3. Directors' and Local Board Members' Fees and Allowances	96,320 0 0
4. Rent, Taxes, Insurance, Lighting, etc.	23,84,490 9 4
5. Law Charges	1,14,096 5 3
6. Postage, Telegrams and Stamps	18,58,426 7 5
7. Auditors' Fees	50,000 0 0
8. Depreciation on and Repairs to the Bank's Property	14,35,780 2 11
9. Stationery, Printing, Advertisement, etc.	25,20,581 13 2
10. Loss from Sale of or Dealing with Non-banking Assets	..
11. Other Expenditure	28,71,125 9 7
12. Balance of Profit	1,56,18,326 11 9
Total ..	8,66,52,561 15 0

PARTICULARS OF ADVANCES

	Rs. as. ps.
(i) Debts considered good in respect of which the Bank is fully secured	129,31,08,391 11 6
(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	1,23,40,112 1 0
(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	9,61,51,274 11 3
(iv) Debts considered doubtful or bad, not provided for	..
	140,15,99,778 7 9
(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	3,53,554 6 5
(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	20,84,65,752 12 8
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	3,71,004 5 3
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	20,99,17,974 11 4
(ix) Due from banking companies	8,54,92,061 1 6

the year ended 31st December 1956

INCOME (less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Year ended 31-12-1956 Rs. as. ps.
1. Interest and Discount	6,19,35,417 14 8
2. Commission, Exchange and Brokerage	2,43,82,560 5 0
3. Rents	3,34,583 11 4
4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets	..
5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets	..
6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets	..
7. Other Receipts	..
8. Loss	..
Total ..	8,66,52,561 15 0

REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA.

We, the undersigned Auditors of the State Bank of India, appointed under Section 41(1) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1956.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head offices at Bombay and Calcutta and the Returns submitted and certified by the Secretary and Treasurer of the Local Head Office at Madras and by Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view of the affairs of the Bank, according to the best of our information and the explanations given to us and as shown by the Books of the Bank; (ii) that where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory; (iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (iv) that the Returns received from the Local Head Office at Madras and from the Branches of the Bank have been found adequate for the purpose of our audit; (v) that the Profit and Loss Account shows a true balance of profit for the period covered by such account; (vi) that, in our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with the law; and (vii) that, in our opinion, Books of Account have been kept by the Bank as required by law.

The audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray and Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs S. B. Billimoria & Co. and at Calcutta by Messrs. Ray and Ray.

S. B. BILLIMORIA & CO.) Auditors.
RAY & RAY)

7th February, 1957.

NEVILLE N. WADIA)
J. D. CHOKSI)
R. G. SARAIYA)
A. D. GORWALA)
A. M. M. MURUGAPPA CHETTIAR) Directors.
PRATAPSINGH MATHURADAS)
B. VENKATAPPIAH)
BADRIDAS GOENKA)
G. M. MACKINLAY)

H. V. R. IENGAR, Chairman.

VAIKUNTH L. MEHTA, Vice-Chairman.

B. P. PATEL) Managing Directors.
T. S. RAGAVACHARY)

COMPANY AFFAIRS

THE DUNCAN GROUP OF TEA COS.

The year 1956 witnessed two developments which are of consequence to the tea industry. In January, an agreement was entered into between the representatives of the industry and employees on an industry-wise basis by which bonuses became payable to labourers for the years 1953 to 1956 inclusive. This has had the effect of increasing the cost of statutory concessions to labour. While in the case of some companies in this group the joint payment for 1953-54 appears in the accounts, the exact formula for calculating the amounts due for 1955 and 1956 has been under consideration, though provision for the estimated amount for 1955 has also been made. The second important occurrence is that the Indian Finance Act. 1956, has given retrospective exemption from taxation in India of agricultural income arising in Pakistan and taxable in that country.

During the year 1955, for which accounts of the ten companies under the group, namely Daurachcrra, the Ellenbarrie, Gungaram, the Hantapara, Killcott, Kotamullai, Ledo, Patrakola, Phaskowa and Teliapara, are available, the tea industry in general has been experiencing some unfavourable features. It has been a year of reduced crops, and the average prices for the different varieties have also declined, in certain cases sharply. This has been attributed to various reasons like adverse market conditions, unfavourable growing conditions, tea pests and sometimes bushes being uprooted as a result of the 1954 drought. The accounts of the companies have been prepared in accordance with the provisions of the Companies Act, 1956. Thus the fixed assets which had been written off up to end of 1954 have been brought back into account and Depreciation Reserve Accounts representing the written down values of these assets have been opened. The financial results of the individual companies are reviewed below.

Daurachcrra Tea Co., Ltd.

The accounts disclose a profit of Rs. 3,20,277. On transfer of this sum to Profit and Loss Account, and after sundry adjustments, there is a balance of Rs. 6,60,922, of which Rs. 4.15 lakhs have been transferred to Revenue Reserve. A special dividend of 15 per cent for 1954 season was paid in March, 1956, while Rs. 1.20 lakhs has been provided against a 20 per cent dividend distribution, leaving Rs. 35,922 to be carried forward. A sum of Rs. 40,836, representing a net loss on exchange from the devaluation of Pakistani currency has been charged to the Profit and Loss Account. The crop was 4,417 maunds as against 5,173 maunds in 1954. The average selling price in Pakistani currency was Rs. 2-4-2 per lb. compared with Rs 2-6-11 in the preceding year.

The Ellenbarrie Tea Co., Ltd.,

The season's working is disappointing. The accounts show a loss of Rs. 627. After sundry adjustments, including a transfer of Rs. 40,000 from the Revenue Reserve, there emerges a credit balance of Rs. 3,837, which the Directors have proposed to carry forward. The crop weighed out at 4,803 maunds as compared to 5,016 maunds harvested in 1954. The average selling price was Rs. 1-14-7 per lb. against Rs. 2-11-8 in 1954.

Gungaram Tea Co., Ltd.

The profit for the year is Rs. 3,23,078, which after sundry adjustments, stands at Rs. 2,96,491. From this Rs. 50,000 has been transferred to Revenue Reserve and an equal amount to Buildings and Machinery Reserve. The Company's authorised capital was increased to Rs. 20 lakhs. A total of 5,040 ordinary shares of Rs. 100 each were credited as fully paid up by way of a capital bonus to registered holders. The Directors have recommended a 7½ per cent dividend, (equivalent to 12 per cent on the old capital) and to carry forward Rs. 95,691. The total crop was 15,998 mds. as compared to 16,568 mds. in 1954. The average selling price per lb. was Rs. 1-11-3 and Rs. 1-14-10 for Gungaram and Ordinary, as against Rs. 2-14-10 and Rs. 3-4-4 respectively for the preceding year.

The Hantapara Tea Co., Ltd.

The year's profits are Rs. 3,39,240, which after sundry adjustments amount to Rs. 4,95,407. Of this, Rs. 1 lakh has been transferred to the Revenue Reserve. This Company's authorized capital was also increased to Rs. 60.75 lakhs. A total of 12,000 ordinary shares of Rs. 100 each were credited as in the previous case. In December, 1955, the dividend on the preference shares was paid leaving a balance of Rs. 3,91,407. The dividend proposed, on ordinary shares is of 6 per cent (equivalent to 9 per cent on the old capital) and the balance of Rs. 1,75,407 is to be carried forward. The crop harvested and the average selling price for the year under review are 34,882 mds. and Rs. 1-13-5 for Hatanpara and Rs. 1-12-5 for Dumchipara. For the preceding year the figures are 38,610 mds. and Rs. 2-15-5 and Rs. 2-12-3 respectively.

Killcott Tea Co., Ltd.

Here, the year's profits at Rs. 3,50,606 stand, after sundry adjustments, at Rs. 2,63,391, of which Rs. 1.25 lakhs are transferred to Revenue Reserve. The dividend recommended by the Directors is of 10 per cent, which leaves Rs. 48,391 to be carried forward. The crop was 12,835 mds. as compared with 14,335 mds. for 1954. The average selling price realized was Rs. 1-14-10 per lb. against Rs. 2-7-4 in the preceding year.

Kotamullai Tea Co., Ltd.

On transfer of the year's loss of Rs. 36,724 to the Profit and Loss Accounts and after adjustments, there is a credit balance of Rs. 16,331, which the Directors have recommended to be carried forward. For reason of having incurred loss, no bonus has been proposed, though the bonus payable by Rampore and Jiajuri Tea Estates in respect of the previous period appears in the accounts. The crop and the average selling prices are Jaijuri 5,725 mds. (5,344 mds.), Rs. 1-15-2 (Rs. 2-12); Rampore 3,789 mds. (Rs. 4,173), Rs. 1-10-7 (Rs. 3); Kotamullai 6,601 mds. (7,512 mds.), Rs. 1-11-2 (Rs. 2-9-4)—figures in brackets represent those of 1954.

Ledo Tea Co., Ltd.

Again, the working has resulted in a loss of Rs. 83,602. After transferring Rs. 1.75 lakhs from Revenue Reserve and other adjustments, there emerges a balance of Rs. 1,760 to be carried forward. The season's crop weighed out at 5,727 maunds, compared to 6,273 mds. in 1954. The average selling price at Rs. 1-9-10 was about a rupee lower than in 1954.

The Patrakola Tea Co., Ltd.

The year's profit is Rs. 38,32,847 which after adjustments stands at Rs. 42,57,130. From this, Rs. 17 lakhs is transferred to Revenue Reserve. The dividend on the preference shares and the special dividend of 30 per cent on ordinary shares for season 1954 were paid and Rs. 12.60 lakhs have been provided for a 35 per cent dividend, leaving Rs. 1,74,719 to be carried forward. The State Bank of Pakistan has permitted remittance of Rs. 20 lakhs out of the Company's Pakistani trading profits which have been received. However, the devaluation of that country's currency has resulted in a loss on exchange of Rs. 20,08,744. The total crop for the year was 50,254 mds. as against 53,571 mds. in 1954. The average selling prices, with 1954 figures in brackets are: Patrakola Rs. 2-2-6 (Rs 2-8-1); Madabpore Rs. Rs. 2-1-2 (Rs. 2-7-10); Kurmah Rs. 2-0-10 (Rs. 2-8-7); Champari Rs. 2-2-9 (Rs. 2-6-5).

Phaskowa Tea Co., Ltd.

The entire trading profit of Rs. 9,968 has been provided for meeting the bonus commitment. For taxation, Rs. 8000 had to be reserved as it had not been finally agreed with the Government in which assessment years part payment of labourers' bonus would be admitted as chargeable items. The crop for the season was 2,987 mds., against 3,201 mds. in the preceding year. The average selling price was Rs. 1-12-5 per lb. as against Rs. 2-10 in 1954.

Teliapara Tea Co., Ltd.

The account shows a profit of Rs. 7,11,533. With adjustments, the credit amounts to Rs. 13,81,706. From this Rs. 8 lakhs is transferred to Revenue Reserve. A special dividend of 30 per cent already paid and a provision of Rs. 2.25 lakhs for a 25 per cent dividend leave Rs. 86,706 to be carried forward. The Company has undergone a loss on exchange of Rs. 1,86,079 as a result of the devaluation of Pakistani currency. The reserve for taxation of Rs. 11.50 lakhs no longer required as a result of the Finance Act has been credited to the Profit and Loss Account. The total crop for 1955 is 11,016 mds. as compared to 13,334 mds. in 1954. The average selling prices for the two years respectively are: Teliapara Rs. 2-4-1 (Rs. 2-7-4) and Satchuric Rs. 2-3-2 (Rs. 2-7-2).

Economic Report from the U. S.

DEBATE ON INFLATION

(BY GUY SIMS FITCH)

WASHINGTON, Feb. 26.—Economists, business men, labour leaders and government officials in the United States have lately been probing the American economy, trying to ascertain not only future trends, but the results of past developments. Their probing has touched off an absorbing debate—most recently on the question of what caused the moderate inflationary movement of 1956.

The weekly publication of the American Federation of Labour-Congress of Industrial Organizations (A.F.L.-C.I.O.), the nation's leading labour organization, criticized this week those who regard "excessive" wage gains as the prime move in last year's 3 per cent rise. The argument that set A.F.L.-C.I.O. editorial pens into motion goes something like this: wage increases last year exceeded productivity gains, thereby pushing up business costs, depressing profit margin, and necessitating higher prices. In rebuttal, A.F.L.-C.I.O. leaders contend that wage increases are important to maintain consumer spending, that business profits last year were large enough to absorb most of the increased labour costs, and that in any case productivity now is rising again at a faster pace.

As is so often the case, debates of this kind tend to be oversimplified. The fact is, of course, that both, profit margins and wage increases, last year were part of that general economic development that was—and still is—stimulated by strong demand for goods and services. Inflationary strains resulted primarily from efforts to expand too rapidly at a time when the US economy was running at near-capacity and maximum-employment levels. In this situation, the US government has been following so-called "tight money" policies. These are designed to slow down the rate of economic expansion by discouraging excessive business and consumer borrowing. The Government has been avoiding direct controls over prices and wages. These it considers neither necessary at this time nor desirable in a free economy. But it has called for voluntary, private restraint to supplement its call for restraint applies equally to business and labour—to pricing policies as well as wage demands.

At this stage of the current debate, another element moves to the forefront. It is the question of how long and how assiduously restrictive policies and private restraints should be employed if and when they begin to have an appreciable effect on economic activity. At this point, the question remains hypothetical, but one that nevertheless must be considered. One view holds that—as a noted economist has put it—a little inflation is better than a little unemployment. Another school of thought holds that inflation, once started, may become increasingly difficult to stop; and, at any rate, even slight price increases year after year eventually cut the purchasing power of Americans, workers included. These discussions have so far resolved little. But they have had one notable effect. They have pushed into the background some dire warnings heard a few weeks ago about inflationary dangers. It is new evidence of the soundness of the US economy that these warnings have had no dramatic effect on its activity. In fact, the imminence of a serious economic downturn has not also been quickly and decisively discounted by many prominent economists, business men and government officials, regardless of their economic viewpoints.

Of late, there have been some signs of an easing of inflationary pressures. Thus, the major point of the present debate may disappear in time or be supplanted by other topics. But while the debate is underway, it is generating the kind of thoughtful self-examination that in the end contributes to a better understanding of the free and dynamic American economy. It is no exaggeration to say that such discussions have been the means of resolving many thorny problems as the US economy has moved on to greater stability and strength.

COMMODITY NEWS AND NOTES

COFFEE PRODUCTION

According to a recently revised current crop estimate, coffee production is expected to be around 38,000 tons, which is an all time record for India. Under the aegis of the Coffee Board, it is targetted to reach a production of 70,000 tons annually under a special fifteen-year scheme. Although rains would appear to have hindered the picking of the crop, resulting in dropping of fruits, to some extent, the prospects for 1957-58 are bright. While the export sales are being well maintained, the revised estimates for 1956-57 crop have provided the country with an exportable surplus of 11,100 tons. If the Plantation Commission's recommendation, that the high quality of coffee earmarked for export be maintained, is strictly adhered to, export trade in coffee can be effectively boosted.

INCREASED OUTPUT OF IRON ORE

The estimated total output of iron ore in India increased to 418,198 tons in December, 1956 as against 376,789 tons in November, according to official statistics released by the Chief Inspector of Mines. Returns received from 123 mines for the month of December, 1956, show despatches totalling 290,726 tons to the iron and steel plants and 96,978 tons to the export market. The reported stocks as at the end of the month amounted to 1,521,635 tons.

OUTPUT OF COAL

The output of coal in India increased to 3,678,262 tons in December, 1956 from 3,324,236 tons in the preceding month, according to official statistics released by the Chief Inspector of Mines, Government of India. Despatches of coal amounted to 3,038,222 tons in December, 1956 as against 3,025,890 tons in November, 1956. Coal stocks at pitheads amounted to 2,766,459 tons at the close of the month as against 2,564,697 tons at the beginning of the month.

MORE AREA UNDER RAPE AND MUSTARD

The All-India First Estimate of Rape and Mustard for 1956-57 puts the current year's area at 2,632,000 acres as against 2,563,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Agriculture. This shows an increase of 69,000 acres or 2.7 per cent in area during the current year as compared to last year. The increase in acreage during the current year has been reported mainly by Punjab, Uttar Pradesh and Madhya Pradesh and to a smaller extent by Assam and Bombay and has been attributed to favourable climatic condition at the sowing time. This increase has, however, been offset to some extent by the decrease reported by other States, mainly Rajasthan.

AMERICAN WOOL STOCKS LOW

World wool markets are anticipating sustained demand from the United States according to the Australian wool broking company of Winchcombe, Carson Ltd. In a recent analysis of the American market, the company sees prospects for higher prices for United States domestic wool and an increased reliance on imports. A strong demand for raw wool, particularly during the early months of 1957, is anticipated. Trade stocks in the United States have reached an all-time low. It is estimated that apart from stockpile wools, total stocks in the hands of the trade on January 1, 1957, were only 3,000,000 lbs. On January 1, 1956, the trade held 77,000,000, in 1955, 100,000,000 and in 1948, 364,000,000.

STEEP FALL IN COTTON EXPORTS

The trend of India's cotton exports during the current (1956-57) cotton season till now has been far from encouraging. The volume of raw cotton exports for the period September 1 to February 2 shows a decline of 193,718 bales from that recorded in the corresponding period of the 1955-56 season. The reasons for this sudden reversal in the trend of raw cotton exports are not far to seek. In the first place, the current cotton season started immediately after the announcement of the additional increase on excise duties. The series of restrictive measures adopted by the Government in respect of the textile industry naturally had its repercussions in raw cotton exports. Over and above there was actual damage to cotton both quantitatively and qualitatively on account of bad weather at the beginning of the season. Conditions have become no better since as reports are even now being widely circulated that the cotton crop in middle Gujarat cotton tract has been adversely affected due to the severe cold spell and frost. Apart from this, the Government's artificial ceiling on mill cloth production always acted as a damper and the overall atmosphere was not at all conducive to the farmer putting his best foot forward in the matter of intensive cultivation. When production is itself constrained to be under check, there is bound to be a relative setback in the exportable surplus.

Apart from these, the Suez blockade vitally affected the character and content of India's cotton exports. The decline in India's cotton exports to the UK from 33,236 bales to 13,301 bales also brings out the fact that, as a result of the Suez stalemate, both the direction and the volume of cotton exports have been affected. During the current season, the first export quota announcement came on December 1, 1956 when the season was already three months old, unlike in previous seasons when the official policy in this behalf used to be made available as early as September, and in no case later than October. Subsequent to the December announcement, which granted a quota for 2 lakh bales, another quota was released on February 6, 1957 for a like amount. While this had been fully utilised, shippers have now started agitating for another quota specifically to China, which has latterly shown sustained interest in Indian cotton.

RECORD EXPORT OF TEA

India exported about 516 million lbs. of tea in 1956, the value of which was about Rs. 140.6 crores. The total quantity exported as well as the value of exports were an all time record. The total exports of tea in 1955 were 363.8 million lb. valued at Rs. 112.7 crores.

COFFEE FOR EXPORT

The Government of India has decided to allocate 11,050 tons of coffee for export from the 1956-57 crop. The production of coffee during 1956-57 was estimated at 37,800 tons. The Government had earlier announced an allocation of 7,900 tons for export.

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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 Matris.	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
July 1956 ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August ,, c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
Week Ending										
22-12-1956 ..	416.7	522.3	416.3	388·6	590.6	430.7	89.7	100.0	80.5	115.2
29-12 1956 ..	392.0	520.2	415.8	387·1	589.3	421.9	89.7	100.0	80.2	114.5
5-1-1957 ..	382.4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80.3	113.4
12-1-1957 ..	389.0	522.0	413.0	386.1	594.0	421.0	89.7	100.0	80.5	112.6
19-1-1957 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7
26-1-1957 ..	399·7	533·7	413.1	386.6	588.6	425.8	89.8	99.4	80.5	115.1
2-2-1957 ..	407.0	527.0	412.9	386.9	588.9	427.3	89.8	99.1	80.1	114.7
9-2-1957 ..	405.2	523.7	412.5	386.9	592.9	426.2	89.8	99.1	79.9	114 1

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956 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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	—	—	—	151	356	436	—	—	370	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	22-2-1957			15-2-1957			8-2-1957			1-2-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	109-10	107-11	108-10	109- 7	107-14	108-11	108-12	107-14	108- 4	108- 6	107- 1	107-13
Silver (per 100 fine tolas)	187- 3	182- 2	185- 3	186- 3	183- 1	184-15	187- 6	184- 8	185-14	185-11	183- 8	184-15

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	ASSETS: Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62.84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62n	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	.11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
18-1-1957 ..	1,490,09	17,66	1,508,55	117,76	442,33	560,09	37.12	123,23	825,22	1,508,55
25-1-1957 ..	1,485,52	23,56	1,509,08	117,76	427,43	545,19	36.12	123,77	840,13	1,509,08
1-2-1957 ..	1,494,02	14,55	1,508,57	117,76	412,52	530,28	35.15	123,26	855,03	1,508,57
8-2-1957 ..	1,519,65	7,01	1,526,66	117,76	412,52	530,28	34.74	121,34	875,03	1,526.66
15-2-1957 ..	1,515,62	11,28	1,526,90	117,76	412,52	530,28	34.60	121,59	875,03	1,526,90

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	Other Governments	Banks	Others	Total	Other Liabilities †	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406.95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3.35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2.37	6,77	76,72	5,06
1951-52* ..	181,39	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	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63.24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67.81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57.81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13.24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,90	19,09
Week Ending														
18-1-1957 ..	50,71	7,03	52,98	13,29	124,01	141,39	275,40	17,86	91	81,24	8,42	102,61	49,70	14,70
25-1-1957 ..	51,46	13,33	51,76	12,68	129,23	142,64	281,87	23,78	1,11	83,18	7,48	102,19	49,62	14,52
1-2-1957 ..	52,35	16,08	54,44	13,40	136,87	143,87	290,75	14,74	1,42	93,84	6,25	108,46	51,43	14,61
8-2-1957 ..	51,01	13,53	50,70	41,79	157,03	143,77	310,80	7,19	1,15	122,16	6,27	124,22	36,72	13,08
15-2-1957 ..	52,35	12,48	51,59	42,40	158,71	141.52	310,63	11.53	1,55	113.43	6,73	120,33	44.02	13,04

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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: Demand	Time	Total (2+3)	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
(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	34,08	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
April 1956 ..	649,15	424,30	1,073,45	37,72	51,62	8.57	604,98	150 94†	70.42	356,77
May ,, ..	638,29	432,63	1,070,92	37,75	48,68	8.07	614,18	153 08†	71.64	354,35
June ,, ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151.41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,64	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
Week Ending										
18-1-1957 ..	666,36	458,91	1,116,75	36,48	48.32	7.59	649.67	166,20†	73.06	362,12
25-1-1957 ..	670,83	462,30	1,123,77	33,06	50,05	7.40	657,07	168,96†	73.51	361,64
1-2-1957 ..	679,75	464,40	1,134,89	34,36	51,63	7.58	669,14	171,58†	74.08	361,27
8-2-1957 ..	676,25	463,82	1,130,96	35,91	48,78	7.49	688,39	167,86†	75.71	360,94
15-2-1957 ..	682,75	464,29	1,138,20	36,93	48,86	7.54	696,85	163,97†	75.63	358,20

• 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	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(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
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,48
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10 54	—26,79*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

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

Source: Monthly Bulletin of Reserve Bank.

I. REGIONAL PATTERN OF PRODUCTION OF VANASPATI IN INDIA—1948-1956**

(In tons)

Region	PRODUCTION 1948	1949	1951	1952	1953	1954	1955	1956
I. Andhra, Madras, Mysore, Travancore-Cochin, Hyderabad	5,870	10,845	15,615	20,445	17,991	23,676	24,987	22,050
II. Bombay, Saurashtra, Kutch, Rajasthan, Ajmer	67,075	71,627	82,941	82,941	82,500	70,841	83,751	79,060
III. Madhya Pradesh, Vindhya Pradesh, Madhya Bharat, Bhopal	..	4,515	15,329	15,938	18,173	21,717	25,237	22,800
IV. Delhi, East Punjab, PEPSU, Uttar Pradesh, Himachal Pradesh	43,966	44,822	32,645	43,844	51,995	61,344	70,121	78,150
V. West Bengal, Assam, Bihar, Orissa Tripura	10,753	23,114	25,321	27,870	32,182	39,775	51,188	53,275
TOTAL	127,664	154,923	171,851	190,597	191,182	230,749	260,000	255,335

Estimated.

** (1950 figures not available).

II. REGIONAL PATTERN OF PRODUCTION OF VANASPATI IN INDIA—1948-1956**

(In tons)

Region	CONSUMPTION 1948	1949	1951	1952	1953	1954	1955	1956*
I. Andhra, Madras, Mysore, Travancore-Cochin, Hyderabad	6,903	9,998	8,800	13,573	12,786	14,829	16,925	17,150
II. Bombay, Saurashtra, Kutch, Rajasthan, Ajmer	37,834	37,262	30,170	37,267	36,793	41,315	50,810	50,600
III. Madhya Pradesh, Vindhya Pradesh, Madhya Bharat, Bhopal	2,405	4,567	6,670	11,658	12,153	14,322	15,546	14,300
IV. Delhi East Punjab, PEPSU, Uttar Pradesh, Himachal Pradesh	51,441	62,760	67,980	80,330	76,837	89,472	102,337	98,100
V. West Bengal, Assam, Bihar, Orissa, Tripura	20,467	29,585	32,570	41,790	41,517	47,251	55,305	56,350
VI. Supplies to Defence Services	5,600	7,634	9,246	8,560	7,697	8,528	7,664	6,950
VII. Exports	—	—	—	2,451	896	6,840	16,099	10,650
TOTAL	124,740	151,806	155,436	195,629	188,679	22,557	264,688	254,100

* Estimated.

** (1950 figures not available).

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The Commonwealth Link

THE question whether India should secede from the Commonwealth is just come to the fore as a deplorable climax to the dramatic sequence of events since August last—Suez, Kashmir and the General Elections. This is a national issue *par excellence*—much too vital and important to be decided in a fit of nationalist anger. No better index of the utility of the Commonwealth link as a sheet-anchor of India's independent existence can be had than the persistent and fanatical Communist campaign for severing that link. Wisdom and commonsense and this country's long-range interests alike lie, therefore, not in terminating existing friendships but in cementing them further. The present strain in Indo-British relations should be treated as no more than a passing phase. For, if the British have rubbed India on the wrong side, can it be honestly denied that this nation, too, has rubbed them in the same way?

But dispassionate consideration of national issues is easier said than done, for it is not unoften that passions of the moment carry the day. The present is so much with nations as with individuals that the past and the future alike tend to be forgotten, at least for the nonce. These may sound platitudinous, but they merit reiteration if

only for the reason that India's Commonwealth association has had a past of which she need not feel ashamed and a possible future of which she may well be proud. The historic process initiated in 1949 by the British Labour Government—a process whereby the Commonwealth could function, in law as well as in fact, as a free association of an increasing number of sovereign and equal nations, whether white or black—is still on. It is a process which the British Conservative Party or at least a section of it is not able to halt in spite of its pathetic devotion to the utterly impracticable idea of the Commonwealth "as a super-state capable of pursuing a single imperial policy" and as an institution involving "personal loyalty to the Crown as a test of true membership". This idea is as dead as a dodo, and it may have a fossilised existence only in the mind of a Colonel Blimp still cherishing visions of the imperial glory that was. For, most of the Asiatic and African members (present and prospective) of the Commonwealth would not be willing to concede to Britain "the pre-eminent role of the mother country and metropolitan power of the Commonwealth."

The one difficulty which is least relevant in this context is that of sentiment on the score of the Queen being the Head of the Commonwealth. As far as Republican India is concerned, this sentimental difficulty can scarcely be exaggerated for she has accepted the Queen as the symbolic Head of the Commonwealth in the full knowledge that "no vestige or sovereignty or allegiance vests in this role of the Crown". The Crown is only a symbol of the will of the Members to remain in the Commonwealth. If India's historic decision to remain in the Commonwealth was no offence to her Republican sensibilities in 1950, is there any greater reason to suppose that her continued membership thereof is inconsistent with her Republican attitudes? After all, Her Majesty can pay a royal visit to this country only on the advice of our Government.

The real difficulties, if there are any, may lie only in the political and economic relations between India and other members of the Commonwealth. The political failure, todate, of the Commonwealth to resolve the dispute between India and Pakistan and between India and South Africa cannot be interpreted to suggest that its potentialities as a harmonising influence in international relations are exhausted. Even the United Nations to which both the disputes were duly referred, has not fared any better. Where the parties concerned cannot, of their own accord, reach a satisfactory agreement, the only hope is a body like the Commonwealth from the membership of which none of them is excluded. If India should decide to leave the Commonwealth on the ground of Britain's stand on the Kashmir issue, her secession may turn out to be more a hindrance than a help in finding a solution to the vexed problem. Patience, therefore, may have its reward ultimately while impatience may cost this country a great deal. As long as Pakistan continues to lay store by her Commonwealth association, there is all the more reason why India should continue to be in it so that the good offices of other members can be availed of for negotiation and final settlement.

Perhaps the most powerful argument in favour of the Commonwealth link is economic. Quite apart from the need for continuity in the matter of sterling area trade without prejudice to the extension of India's trade with countries outside that area, this country's currency link with sterling suggests the need for continued monetary stability which is no less necessary than political stability for attracting foreign capital for rapid industrialisation. It is well known that British capital is still leading in the matter of post-war foreign investment in India. The familiarity of British business men with the basic elements of stability in the body-politic and the body-economic of this country and the sense of security they feel in India being a member of the Commonwealth, are not negligible factors in attracting capital from other countries like the United States. In the measure that the Commonwealth link contributes to an accelerated tempo of economic growth in India, this country may well become a real force for peace and international understanding. That Mr. Nehru's proclaimed faith in the Commonwealth as the most successful example of political and economic coexistence does not appear to have diminished, is a happy augury.

Bottlenecks at the Ports

NEARLY ten years after the partition of the country concrete proof has been offered that the great damage inflicted on port facilities for the overseas trade is in the process of being repaired. The loss of Karachi to Pakistan dealt a severe blow to these basic facilities and it was obvious that it could not be compensated by expansion of Bombay and Calcutta ports which alone could provide relief to the import-export requirements of the North. The choice of Kandla as India's new major port promises to save what would otherwise have developed into a critical situation for handling the fast growing overseas traffic. There need not be any doubt that Kandla can replace Karachi, sharing on its own a part of the developing sea-borne trade and enabling the traditional major ports to share an increasing burden.

On March 3, two general cargo berths were declared open for traffic at Kandla, besides a few other facilities programmed in the project. The initial tempo of work was well maintained as reflected in the completion of preliminaries. Even the link of communications with the hinterland was created sufficiently in advance. The Kandla-Deesa metre-gauge railway line was constructed in 1952 and another alternative link with Rajasthan is under construction. Nevertheless, it can hardly be denied that the progress on the project proper has been behind schedule. The formal inauguration of Kandla port, as represented in the provision of an oil berth, was delayed until early April 1955. It is no secret that the main factor responsible for the tardy progress was the unenthusiastic handling of work by the foreign collaborating firm of construction engineers.

Speed and vigour are being injected into the task. But it would be an error to suppose that enough tempo has been gained to complete the programme according to schedule. The two cargo jetties which were opened on Sunday last have lagged behind the revised schedule by five months. Two more cargo berths are due to be opened in a few weeks hence. The next stage in development comprises two additional berths to reach the tentative target of six general cargo berths to be completed before the end of the current Plan. This most modern port of India will bear a sizable share of oil cargo in addition to heavy cargo including ores, cement and steel.

The relief which Kandla will provide for Bombay and Calcutta is not likely to remove the strain on the capacity of these ports in full. Calcutta which is the main port for exports is called upon to cope with outgoing traffic of the order of 8.0 million tons, while Bombay which is the major gateway for imports receives imports of the order of 6.2 million tons. Neither port is equipped to sustain the burden of cargo at the present level consistently with normal rates of clearance. Congestion prevails in Madras, Cochin and Vishakhapatnam ports too, although to a lesser degree than in the two premier ports. The first Five-Year Plan saw an increase of only 5 million tons in the capacity of the country's five major ports. It has now been raised to 25 million tons.

Port facilities received less than a fair share of attention in the first Plan. In fact, it would be no harsh judgment to say that they have received a raw deal. The estimate of outlay on development programmes for all the ports during the Plan was placed at Rs. 62 crores. It is difficult to be sure how far this estimate was related to planning in physical terms. Nevertheless, the fact has not been denied that details of the programme were finalised at a late stage in the Plan. Only half the expenditure envisaged in the estimated outlay was incurred, leaving an actual allocation of Rs. 14 crores unutilised. It is not implied that the entire estimated programme of projects ought to have been pushed through during the period. Some part of the projects taken in hand for execution was bound to be left over for completion in the second Plan. But the shortfall of nearly one-third in the expenditure allotted for execution of works cannot be regarded as small.

Bottlenecks at the ports recurred frequently, involving great delays in clearance of outward and inward cargo and heavier freight costs for imports. Part of these bottlenecks was due to the adamantine attitude of labour. Dock labour in India, as in other maritime countries, has proved difficult to tackle. But the situation began to take a favourable turn in the later period of the first Plan. The Vasist Committee's recommendations have been accepted by the Government and their implementation is sure to help improve handling of cargo. Piece-rates, for instance, have been introduced in Bombay reflecting larger turnover. Their extension to Calcutta and Madras is now due. But undoubtedly a worse factor contributing to accumulation of cargo is inadequacy primarily of berths and also of other types of port facilities. Incoming ships have been subjected on various occasions to inordinate delays for unloading or reloading and their turn-round has suffered in consequence. Lack of proper rail facilities for internal destinations has only aggravated the situation at the ports.

The high import content of the physical resources required for the second Plan projects and the stress on export promotion to mitigate the strain on the balance of payments have forced attention to expansion of capacity of major ports on a basis of priority. Incomplete works carried forward from the previous Plan and schemes which were not taken up for execution have claimed precedence in the present Plan. Nevertheless, great urgency is attached to major projects which must be carried through either fully or to an advanced stage of completion by the end of March 1961. Broadly, the projects include rehabilitation of the ports and mobilisation of cargo clearing equipment and facilities with emphasis on mechanisation. Calcutta, Madras and Cochin are to be provided with additional wharves and berths without which further traffic which is bound to offer cannot be catered for with speed and efficiency. The aggregate cost of the new projects as well as the backlog of the first Plan is estimated around Rs. 75 crores. The provision made in the present Plan in respect of the major ports is of the order of Rs. 40 crores, including presumably the unspent allocation of Rs. 14 crores. The gap left in the financial resources needed for the ports handling international trade is thus substantial.

The World Bank's team of technical consultants on ports is coming to this country shortly. Transport in general, and rail transport and ports in particular, threaten to raise serious bottlenecks in the execution of the development programmes. At the present moment the primary preoccupation of the Government is to find the required foreign exchange which will not be earned by our exports. The foreign exchange component of the outlay on ports has not been specifically mentioned in the Plan, but there should be no difficulty in determining its size. Mr. Eugene Black's letter referring to the technical investigation gives ample assurance that the World Bank's assistance would be available on a sufficient scale for port development. Surface transport has usually received preference in the Bank's loan policy. A welcome announcement was made this week that it is participating along with certain New York banks in the grant of a loan of $16.8 million to Air India International for the purchase of jet planes. This is an encouraging development on the eve of the arrival of its experts in this country.

Merdeka for Malaya

BRITAIN'S last major dependency in Asia, Malaya, will be independent in August. The Federation of Malaya Constitutional Commission, popularly known as the Reid Commission, which consisted of five Commonwealth jurists, from the United Kingdom, Australia, India and Pakistan, has recommended for it the creation of a "strong Federal Government". The Malayan Federation will be an independent State within the Commonwealth, but will be neither a Dominion nor a Republic. The Commission has suggested that the Federation should consist of the nine princely States of Johar, Kedah, Pahang, Perak, Perlis, Selangor, Negri Sembilan, Kelantan and Treng-

ganu and the two strait settlements of Malacca and Penange.

Malaya's Head of State (Yang di-Pertuan), who is to be elected for five years from among the present Malayan princes, is to be titular. The Parliament, the Commission has recommended, should be bicameral. Of the 33 members of the Upper House, the Senate, 22 will be elected by the Legislative Assemblies of the constituent units, the remaining to be nominated by the Head of State. It will have powers only to delay a legislative measure, but not to "kill" it. The Lower House, that is the House of Representatives, will comprise 100 members elected for a maximum of five years by single-member constituencies on a territorial basis. The federal Cabinet will be responsible to and removable by the Malayan Parliament.

The Commission has also recommended that the special privileges which are at present being enjoyed by the Malays in the matter of land revenue, educational scholarships, the issue of licences in certain business, and quotas in civil service should be retained till 1972. In that year the position should be reviewed by the Federal Parliament. The suggestion is sensible. The Chinese, being more energetic and enterprising, have been able to afford better and higher education for their children than have the Malays.

At the same time, the Commission has done well by including in the draft constitution provisions ensuring liberal grant of citizenship and franchise. This will allay the fears of the (over 2,216,105) Chinese who are afraid of being squeezed out by the politically powerful Malays. The Commission has further suggested that the new elections should be held on January 1, 1959, that is, only after all the new citizens have been properly registered and electoral rolls prepared. This may help reduce the number of those Chinese who look to Communist China for help and inspiration. The Commission has also recommended, and rightly, the continuance of the existing emergency legislation till the insurgents are completely annihilated. The Commission has, in short, tackled properly the urgent problems—by a judicious balancing of the various claims, by creating a centralized authority, and by stressing a strong policy against subversive elements.

In a note of dissent, the Pakistan member of the Commission, Mr. Justice Abdul Hamid, has suggested strongly that Islam should be declared the State religion and that a special provision should be inserted making the constitutional Head of State responsible for safeguarding the special position of Malays. Any action he might take for this purpose, the Pakistani jurist writes, should be deemed valid even if it is contrary to the provisions of State or Federal Law. He also found the recommendations regarding citizenship for non-Malays to be too liberal. If these sinister suggestions are at all accepted, the work of the Reid Commission will be frustrated in its attempt to ensure harmonious political development in a plural and multi-racial society. The reported rioting in Penang is not a good omen for the proposed constitution which can work only with mutual goodwill and co-operation.

Already, since 1948 a state of emergency has existed in Malaya as a result of the activities of Communist terrorists, nearly all of whom are immigrant Chinese. British and Malayan forces have been engaged continuously in jungle warfare to suppress terrorism. The leaders of the Federation have, therefore, done well in entering into defence arrangements under which the British will undertake to assist the Federation Government after independence in the external defence of its territory. The Federation Government in turn will confer on the British Government the right to maintain in the Federation the forces (including a Commonwealth strategic reserve) necessary for the fulfilment of Commonwealth and international obligations.

It was announced in January 1957, subject to approval by Parliament, that the British Government would provide Malaya with £20,000,000 in the period 1957-61 to defray the cost of emergency measures. Of this £9,000,000 is an outright grant. At a review in 1960 it will be determined how much of the balance of £11,000,000 the Federation will need in the two years 1960 and 1961, and whether all or part of the sum needed will be in the form of an interest-free loan. In addition, a cash grant of £7,000,000 will be made in the period 1956-61, for expansion of the Federation's armed forces, together with grant-in-aid, of equipment to the value of about £5,500,000. Certain surplus installations of British forces in the country will be freely transferred to the Federation. The British Government will also make a cash grant to the Federation of the unspent balance at the date of independence of the Federation's allocation under the United Kingdom Colonial and Welfare Acts. The balance stood at £4,400,000 on January 1, 1956, at the beginning of the Federation's current development programme.

If Malaya is able to overcome the teething troubles which usually accompany transfer of power it has almost all the requisites of economic development. Its territory which covers nearly 50,690 square miles is sparsely populated. Approximately 80 per cent of the area is under primeval jungle, mountain and swamp. Where the country is free of jungle, rubber, rice and other crops are grown. Malaya grows about two-fifths of the world's supply of rubber and together with Nigeria produces about two-fifths of the world's tin. Rubber and tin together account for about 80 per cent of the total value of exports from the Federation — about £190.5 million. Processing of rubber, tin, pineapple, and copra are the main industries, besides a number of secondary industries like cement, soap, footwear, biscuits, and soft drinks. The Federation has a development plan costing £98.5 million. Out of this amount approximately 52.2 per cent is being spent on basic services such as water, electricity, and railways, 37.7 per cent on social services, and 10.1 per cent on rural development, irrigation and drainage. Over £800,000 million was allocated to the Rural and Industrial Development Authority. But like all underdeveloped countries, Malaya too lacks capital, skilled labour and technical know-how. In respect of these essential resources of development it can surely induce foreign co-operation by adopting appropriate policies.

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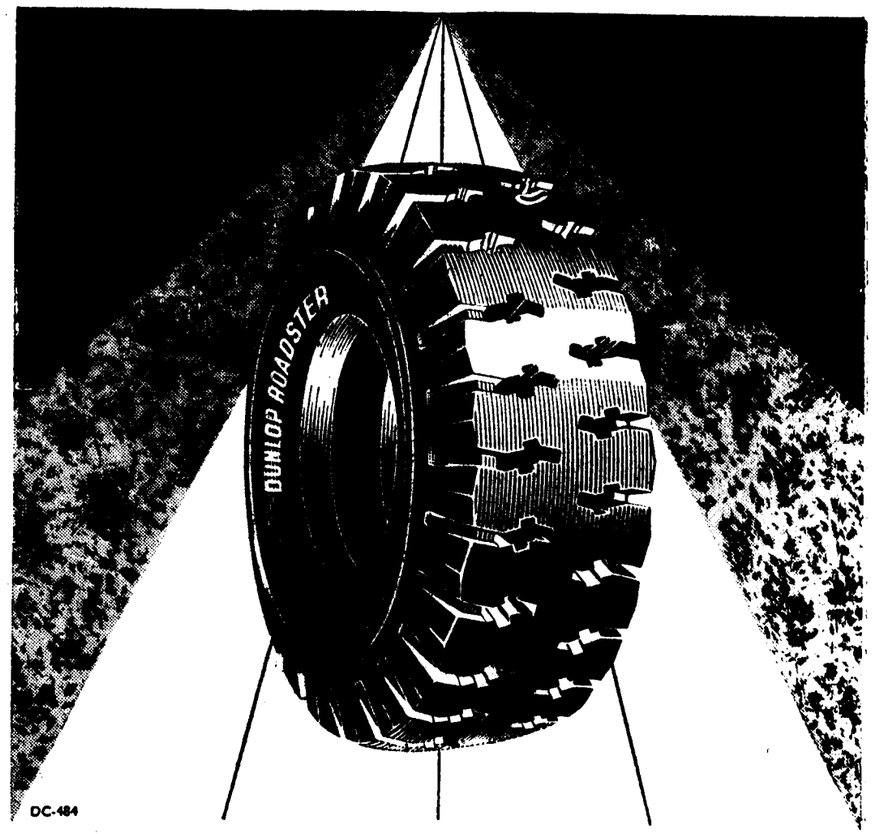
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THE WEEK'S NOTES

U NU'S RETURN

U NU'S resumption of the Premiership of Burma is heartening. As one who has a notable record in ensuring internal stability, and playing a valuable role in the international sphere, he as Prime Minister should inspire fresh confidence among his people and in the free world. This change may not, however, mean any departure in the policy of the Burmese Government. For, even during U Nu's absence from office, U Ba Swe followed policies formulated during the former's stewardship.

His return is opportune for another reason also. In recent months there has been a grave danger of internal subversion in Burma. The Karen-Communist rebels have again become suddenly active; Chinese military incursions into Burmese territory have been reported; and Chinese civilians' infiltration has allegedly increased. These uncertain political conditions, coupled with the continuing economic crisis bedevilling the country since the second World War, have stood in the way of the ruling Anti-Fascist People's Freedom League fulfilling several of its promises. This failure has caused cynicism among the people and provided fruitful breeding ground for anti-social elements. It was to counteract the growing Communist influence, as evidenced in the results of last General Elections, that U Nu had resigned from Premiership in June last to devote himself wholly to the re-organization of the ruling party and to eradicate corruption from public life.

Since then, however, matters have become worse. Galloping inflation has overtaken the country; consumer goods have become scarcer; black market has thrived, and corruption has remained unabated. Besides, the Communists, who had been forced to give up violent and insurrectionary methods during U Nu's former tenure of office, have once again reverted to political gunmanism. The National Assembly's unanimous approval of U Nu's return to Premiership shows that the experience of his countrymen during his absence from office has not been happy. It also shows that U Nu has himself realized the futility of his notions of political asceticism which had goaded him to take recourse to voluntary exile—from office. One thing, however, is clear; if he now decides to take strong measures to put down Communist violence, he will have the wholehearted support of his countrymen.

But in order to save democracy in Burma, U Nu would have to overcome the economic crisis. He can save his country from being sucked into Communist orbit successfully only if the free world sheds its parochial attitude towards uncommitted countries like Burma and gives generous economic aid. After all these countries, being former colonies, cannot but be prone to be suspicious of every Western move. Due allowance will, therefore, have to be made for their susceptibility.

SWING TOWARDS LABOUR?

RESULTS OF recent by-elections in Britain must have caused the ruling Conservative Party some heart-searching. At any rate, there could have been no complacency about them. Last month, the party suffered its first defeat in a by-election since it came back to power in 1951. Allowing for the deficiencies of the Tory candidate and the presence of an Independent Loyalist, Labour's triumph at North Lewisham in turning a General Election Tory majority of 3,236 into a Labour lead of 1,100 was a great blow for the Conservatives. This week came two more wins for Labour—one from Wednesbury and another from Carmerthen (Wales). In the former, Labour defended its seat which was, of course, expected. But what was remarkable was that once again the Tory vote slumped and the drop this time was 12 per cent whereas Labour's share climbed by 1.8 per cent. The more serious blow, however, was the result of the Carmerthen by-election. Here, Lady Megan Lloyd George (daughter of the late Liberal Prime Minister of Britain, Lloyd George) who deserted the Liberal Party recently and joined Labour defeated a Liberal candidate. The striking feature was that the Liberal candidate was supported by the Conservatives in the hope that the alliance would enable Labour to be kept out of what was a traditional Liberal seat before 1955. Actually the Labour majority this time was 3,009 which was 2,500 more than in the 1955 General Election whereas the Liberal candidate polled nearly 4,000 less.

Now, what is the lesson of these by-elections which in a country like England are held in great importance as they point to a trend in popular attitude to Government policies? It is fairly obvious that in the background was the issue of the Suez 'misadventure' and its aftermath though its importance was sought to be minimised by domestic issues like housing and the rising cost of living. It may be that Labour concentrated more on domestic issues especially the Rents Bill to which there was a good deal of opposition from the tenants. (A sequel to the by-election was that the Bill has been slightly modified to make some of its features less objectionable). However, two things stand out clearly. One is that there is considerable dissatisfaction even among Conservative supporters over Government's policies and the other that there seems to be a definite swing towards Labour. A public opinion poll conducted by a Tory newspaper recently revealed that if General Elections were to be held immediately, 48½ per cent of the electorate would vote for Labour whereas the Conservatives would only get 45½ per cent. Now the question is whether the Government will go the country to seek a fresh mandate. That would depend on Mr. Macmillan as well as the outcome of the remaining three or four by-elections.

RUMBLINGS IN THAILAND

THAILAND IS not unused to a coup d'etat. But the recent attempt at one is not of the usual weekend type; it is of special significance. According to the Government communique there exists in the country "an organised group of people with foreign support who are making a move to cause subversion and finally to take control of Thailand." The emergency, it said, had been declared "to protect the constitution, the monarchy and the religion." Elucidating this later, Lt.-Gen. Surachit Chausureni, official spokesman of the Thai armed forces, said that the activities of the subversive elements first came to light in January last when there was a wave of strikes in Bangkok. Those elements evidently seem to have now taken advantage of the general dissatisfaction over the conduct of the recently-concluded general elections.

The Thai Government has refused to disclose the name of the "foreign powers" which are at the back of the subversive elements. But in view of the friendly ties between Thailand and the West, these powers can perhaps only be the Communist countries. This interpretation is reinforced by the fact that Marshal Pibul Sanggram's Seri Manangesila Party is pro-West and an ardent supporter of SEATO. Its recent electoral victory —though narrow—was not, therefore, to their liking. Moreover, the Communist powers seem to have intensified their subversive activities because Bangkok is SEATO Council's headquarters.

It is, however, highly regrettable that the Thai Government should have deemed it fit to seek "co-operation" of the members of SEATO to smash the plot. Even such friendly co-operation is likely to be mis-construed by the anti-West elements among the Afro-Asians who have not as yet forgotten their colonial past. Another reason why the recent developments is to be regretted is that democracy in Thailand is likely to receive a set-back as a consequence of it. It has, however, to be remembered that it is the denial of democracy that often results in strengthening Communism and not vice versa.

In fairness, the introduction of limited democracy in the country was the work of Marshal Pibul Sanggram and not due to any popular struggle. In truth, Thai masses are as yet politically apathetic and there are traditions of "strong men's rule" in that country. The only relieving feature in this bleak situation is that the Sanggram Government has not resorted to indiscriminate arrests or to a reign of terror. On the other hand, it has publicly proclaimed that no one would be arrested unless there was 'prima facie' case against him, or unless the situation deteriorated. The appointment of a commission to go into allegations of the Opposition regarding malpractices in the conduct of the general elections is also welcome.

UNIVERSITY AUTONOMY

DR. JOHN MATHAI'S thesis that the entire system of making Governors of States as Chancellors of Universities be ended, deserves to be seriously considered. The criticism should not be dismissed as an expression of discontent by a vice-chancellor. It is in no way a reflection on the competence of the Governors. Under the present system, as constitutional heads the Governors have to act on the advice of the Ministers, and this leaves room for political influence to trickle into the University administration. As a vice-Chancellor of the Bombay University Dr. John Mathai has had a sad experience. Throughout the tenure of his office he had to switch on from the Chancellor to the Ministers and back again to the Chancellor. All along it implied the old tradition of grudgingly conceding autonomy to the Universities, which was resented by Dr. Mathai. There can be no two opinions that the system is out-moded and needs to be discarded. Not only is it a source of friction but is also a cause of embarrassment to the Governors as Chancellors in relation to the Universities.

The occasion of Dr. Mathai's remarks was a Senate discussion on an item referring to a letter dated January 5, 1956 from the Secretary to the Governor of Bombay suggesting that an age limit of 60 years be fixed for the post of the Rector. The Senate's reason for not accepting the age limit was that the relevant Statute as passed by the Syndicate on August 17, 1955 did not contain any age limit and that, therefore, the Senate did not see any ground for modifying this decision. Secondly, the Senate did not think that the appointment of the Rector could be treated on the same footing as the post of the University Teacher or Registrar, since the Rector's appointment was a tenure appointment for a fixed period of five years.

The principle that Dr. John Mathai upholds is unexceptionable. Over three years ago, the Congress Working Committee in a resolution on the educational system, condemned the intrusion of politics in the academic atmosphere of universities. Therefore, there is nothing wrong in demanding that Universities should not be permitted to suffer the activities of politicians. It would indeed be to the credit of the Government if it allowed universities to manage their own affairs. The alien government wanted to keep universities under its control, so it arranged for the Governors to be Chancellors. A national government such as ours may have everything to gain from a possible state of affairs in which universities function as free institutions in a free society.

SOBER COUNSEL

MR. HOMI MODY, in his recent address to the Employers' Federation of India as its President, has done well in focussing attention on the serious implications in regard to Labour's claim for increased wages. The campaign for a 25 per cent increase in wages initiated by the Labour Unions affiliated to the INTUC is certainly a matter for serious concern especially in the context of reports that the Union Minister of Labour has given his blessings to this move. The argument is that the increase is essential to "enthuse workers in fulfilling their onerous responsibilities in implementing the second Plan and in the interest of industrial peace". Mr. Mody has rightly contended that nobody would deny the workers' due share but higher wages must be related to productivity and the profits of the industry. It is a bit odd that when it has been decided to set up Wage Boards for different industries to go into these issues carefully (so that both Labour and Management may have opportunities to present their case fully) there is a campaign for rushing to a hasty decision that is bound to affect vitally the whole range of industry.

Mr. Mody also drew attention to the fact that apart from the agitation for an 'ad hoc' increase in the basic wage, there had been other proposals to add to labour costs. Here he instanced the increase in the employers' contribution to the Employees' State Insurance Scheme from 1¼ per cent to 3½ per cent of the total wage bill and an increase in the rate of contribution by employers to the statutory Provident Fund from 6¼ per cent to 8-1/3 per cent of the wages including dearness allowance. In the solicitude that Government seems to bestow on a section of the community, there is a total disregard of the effects they are likely to have on the industry and the consumer alike. The recent increases in wages granted by the Appellate Tribunal to the coal miners and the announcement of a new deal for a section of Railway Labour have already started a chain reaction. Will Government step in to cry a halt to this trend which may not only have adverse effects on the economy but also lead to social discontent among the less favoured sections of society?

AN ELECTION PROMISE

MR. PRATAP SINGH KAIRON, Chief Minister of Punjab, is reported to have made an astounding promise at an election meeting last week. The promise was that "education up to matric would be made compulsory and free in Punjab within the next two years". Mr. Kairon, like other Congress leaders who have recently exceeded the limits set by their own party manifesto, does not appear to have thought twice before making such a rash promise. In any case he had no need to do so, for the early stage of elections in his State had clearly pointed to a massive victory for the Congress Party.

If Mr. Kairon had confined his promise to education up to, say, the 6th or the 7th standard, he might have sounded realistic and practical. As a matter of fact, a modest promise of the kind would have been partly in consonance with Article 45 of the Constitution in its Directive Principles of State Policy. This Article, which is not mandatory, merely states that "the State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years". Seven years have rolled by since the Constitution came into force. It may well be a great achievement if Mr. Kairon could find the necessary resources in money and in teaching manpower for free and compulsory education up to the 6th or the 7th standard in his State which has a deplorably low literacy percentage.

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United States Government Securities and Securities Guaranteed by the Government	1,770,054,622.81
Federal Agency Securities	36,514,528.04
State, County, and Municipal Securities	602,128,591.20
Other Securities	109,603,940.31
Loans Guaranteed or Insured by the United States Government or its Agencies	1,431,492,136.64
Other Loans and Discounts	3,921,543,854.55
Bank Premises, Fixtures, etc.	98,352,466.57
Customers' Liability on Letters of Credit, etc.	240,717,554.62
Accrued Interest and Other Resources	63,177,867.09
TOTAL RESOURCES	**$9,991,842,011.70**

LIABILITIES

Capital	$160,000,000.00	
Surplus	290,000,000.00	
Undivided Profits and Reserves	112,867,000.86	
TOTAL CAPITAL FUNDS		$ 562,867,000.86
Reserve for Possible Loan Losses		80,581,352.98
DEPOSITS {Demand	$4,677,014,617.52	
DEPOSITS {Savings and Time	4,316,226,381.78	8,993,240,999.30
Liability for Letters of Credit, etc.		242,387,523.06
Reserve for Interest, Taxes, etc.		112,765,135.50
TOTAL LIABILITIES		**$9,991,842,011.70**

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RESOURCES

Cash and Due from Banks	$135,427,260.86
United States Government Obligations	21,049,000.00
Other Securities	3,857,312.85
Loans and Discounts	105,103,392.59
Customers' Liability on Letters of Credit, etc.	178,555,948.66
Accrued Interest and Other Resources	4,409,853.26
TOTAL RESOURCES	**$448,402,768.22**

LIABILITIES

Capital	$13,000,000.00	
Surplus	6,000,000.00	
Undivided Profits	951,705.45	
TOTAL CAPITAL FUNDS		$ 19,951,705.45
Reserve for Possible Loan Losses		1,635,281.96
Deposits		245,267,430.17
Liability for Letters of Credit, etc.		179,242,636.49
Reserve for Interest, Taxes, etc.		2,305,714.15
TOTAL LIABILITIES		**$448,402,768.22**

A Window on the World

SHOULD INDIA QUIT THE COMMONWEALTH?

By

ODYSSEUS

SHOULD INDIA QUIT the Commonwealth?

In view of the profound disagreement with the UK revealed over Suez and over Kashmir, there are those who urge that India should quit at once.

The suggestion that any member of the Commonwealth should quit because of serious disagreement with the UK implies, I submit, a misunderstanding of the UK's position in the Commonwealth. As Mr. Graham Spry (who will be remembered as Personal Assistant to the late Sir Stafford Cripps, with whom he visited India in 1942, and who is now Agent General in London for the Canadian Province of Saskatchewan) argued—in a remarkable talk entitled "Canada, the UN Emergency force and the Commonwealth," given recently before the English Speaking Union—to quit the Commonwealth because of a disagreement of policy with the UK is to assume that the Commonwealth is an exclusive association with a single foreign policy formulated by Britain, or that the Commonwealth belongs to Britain rather than Britain to the Commonwealth, or that Commonwealth loyalty is loyalty to Britain rather than loyalty to the Commonwealth.

Mr. Spry (who is a Canadian) pointed out that the standard of Commonwealth unity is not central authority or uniformity, or exclusiveness, but is to be found in the degree of co-operation that can be secured among an association of communities with national and international objectives, concerned to work out among themselves, and no less with others, practical compromises on particular, concrete problems. Basing himself on this definition Mr. Spry dramatically and resoundingly claimed that the Commonwealth abundantly justified itself by making the major contribution to the solution of the Suez crisis in November, 1956.

Disagreement over Suez there was but not disruption. "On the contrary," declared Mr. Spry, "though each member responded according to its own interests and convictions, as in free countries must be expected, as must under British constitutions even be desired, there was evident a notable will to save the situation and to use the vast measure of common understanding for common objectives."

TWO ALMOST DISASTROUS FAILURES

At the same time, Mr. Spry said, there were, prior to Suez, "two sorry, almost disastrous failures. For both failures all of us in the Commonwealth bear our full share of responsibility."

The first was the failure of the nations of the Commonwealth to understand, and to act decisively together, on the dangers that had been mounting in the Middle East, an area of vital strategic and commercial significance to the UK, India, Pakistan, Ceylon, Malaya, Australia, New Zealand and South Africa, as well as to the rest of South East Asia, Western Europe, Canada, and the USA. One result of this failure was the inability of the Commonwealth nations to convey to the USA what the Middle East means to all of us, and indeed, should mean to the USA. "In this failure", declared Mr. Spry, "the USA fully, grievously, vastly shared. The US Vice-president and the Canadian Foreign Secretary have both said precisely this."

The second failure was the UK's failure to advance its ends by working in a coalition. In the classical definition of Sir Eyre Crowe, Permanent Under Secretary to the Foreign Office in 1914, Britain, in seeking and defending her particular national interests, should ensure that her "national policy . . . is so directed as to harmonise with the general desires and ideals common to all mankind and, more particularly, that it is closely identified with the primary and vital interests of a majority, or as many as possible, of other nations."

Commenting on this, Mr. Spry said that the Anglo-French ultimatum to Egypt and Israel was doubtless conceived as serving common interests far beyond those of Britain and France alone. Moreover, the dangers were urgent and the provocation great. Extenuating circumstances existed. But this policy contradicted the basic British doctrine of acting in coalition, and for a few days in November, 1956, it threatened to assemble against Britain the most powerful coalition in all her history.

This, I submit, would have been catastrophic, not merely for Britain but for the Commonwealth and the whole free world, because sudden and violent changes in the balance of power heave the world around like an earthquake and benefit no one. Change is unavoidable and necessary for progress, but it should be evolutionary.

Catastrophe was avoided by the Commonwealth initiative of Canada, India, Pakistan, and Ceylon who, believing that Britain's policy was wrong, disagreed frankly, and sought to revise it sharply. In this they were acting in accordance with the objectives, spirit, and interests of the Commonwealth association and (as Mr. Spry pointed out) "as friends of Britain." The policy was revised. The revision was made readily by Britain herself. It was honourably facilitated by the UN Assembly and by the road out of the impasse suggested by old and new members of the Commonwealth.

On November 1, the USA introduced a resolution in the UN calling for a Cease-fire which was passed by 64 votes to 5, with 7 abstentions. Mr. Pearson, the Canadian Foreign Secretary, criticised the US resolution on the ground that it was inadequate because "peace is far more than ceasing fire". The US resolution did nothing to solve the problems that beset the Middle East. A cease fire was a preliminary step, not a solution. Mr. Dulles immediately endorsed Mr. Pearson's suggestion for a UN force. It is to be inferred from a speech of Mr. Pearson's that his UN force suggestion had earlier been approved by India and others in private discussion.

In the event, the policy initiated by Canada carried the day. It was the only policy which—as distinguished from recommendations of unilateral national action, of appeals for withdrawals, and of

setting up study groups—proposed physical intervention under the charter and the use of the concerted will of the UN members.

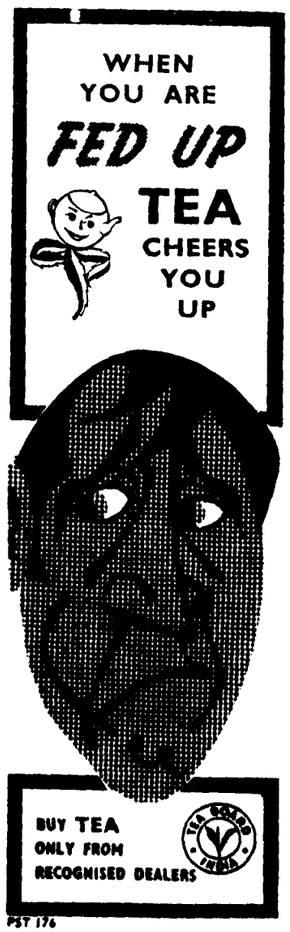
DAMNING CRITICISM

The essential principle underlying Canada's policy is that of the coalition, as developed over the centuries by British experience. The damning criticism that can be made of the British action in Suez was that it was in complete contradiction of the whole of British historical experience. The instrument for carrying out the policy initiated by Canada is the United Nations. The policy could not have been carried out by the Commonwealth alone. The Commonwealth is not an exclusive association. Each of its members has its own other outside relationships and interests—inherent in geography, religion, race, and commerce. The Commonwealth is not equipped to function as a third world force, but it is powerful and cohesive enough to help lead, and to shape, world relationships towards peace.

Canada's policy expressed a Commonwealth approach to a crisis. The whole Commonwealth united behind it. The UK first suggested UN action, and Canada, finally supported by every other member of the Commonwealth, proposed the police force. The UN Advisory Committee of Seven has four Commonwealth members—Ceylon, India, Pakistan, and Canada. The commander of the force is a Canadian. The fabric of the force is pre-dominantly Canadian and Indian. The signals, engineers, and air transport are largely Canadian. Of the 6,000 men drawn from ten countries and five continents, some 2,000 are Canadians, and 1,200 are Indians.

You might, of course, argue that if Canada and India had not belonged to the Commonwealth they would have acted in the same way in pursuit of their own national interests and of the common good. I would not deny this. But the special relations nourished by the constant exchange of diplomatic, economic, commercial, educational, and social information that goes on between them all the time, as between all Commonwealth countries, creates an ease of association, a familiarity with each other's viewpoints and likely reactions, and a team spirit born out of the friendships, intimacies, and daily personal contacts that go on between Commonwealth staffs in all the capitals of the world—all this enables each individual Commonwealth member to exercise far greater influence directly on Commonwealth policies, and therefore, indirectly on world affairs, than any one of these individuals could hope to exercise alone. The sincerity of the aims and motives of Canada and India on their joint action over Suez are not questioned in Britain. It is recognised that they were acting (as Mr. Spry said) "as friends of Britain". Any who may feel inclined to question the UK's sincerity and motives over the Kashmir quarrel might bear this in mind.

To talk of quitting the Commonwealth when one disagrees with the policy of another member is to cut off one's nose to spite one's face. One's power to exercise one's influence to modify the policy that one dislikes would be substantially decreased, and one's power to secure support for one's own policies handicapped. Commonwealth diplomats and government servants know this. What has to some extent hitherto prevented the general public from grasping it has been a hangover from decades long gone by in which the UK was regarded as the controlling member. If the Suez crisis shows that the Commonwealth does not belong to the UK, but the UK to the Commonwealth, and that the loyalty of all individual members, is not to the UK but to the Commonwealth, it will have had at least one useful by-product.



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

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DANGER IN GERMANY

(From Our Special West European Correspondent)

PARIS, March 2.

FOR both Germanies, East and West, the coming summer will be a time of serious political tension and possibly worse. The NATO authorities have plans ready for the deployment of non-German troops along the border between the two states at the first sign of serious unrest in East Germany, and it would be a reasonable supposition that the Russians on their side have similar precautions in mind. A repetition of the Hungarian revolt in East Germany would have much more grave consequences if it threatened to involve the West Germans, who would almost certainly move to the assistance of their kin and neighbours. That is why an outbreak in the East would have to be hermetically sealed off; both sides are tacitly agreed on that.

The question is not academic, for all the materials of revolution exist today in East Germany. It is only the 22 Soviet divisions that are keeping 16 million East Germans quiet. But the position of the Communist regime is becoming more insecure, for reasons directly connected with the anti-Soviet revolutions in Poland and Hungary, and these difficulties will probably reach a peak in the summer, just when political passions in West Germany are at a peak during the election campaign. The West German elections are to take place in the autumn and there has already begun what promises to be a long, violent and demagogic electoral battle in which naturally the dominating issue will be German reunification. And while reunification is being passionately discussed in the West, just across the border the economic difficulties of the Communist regime will be deepening. This situation, while not necessarily explosive, is obviously uncomfortable.

The difficulties of the Communist puppet government of Pankow arise from the fact that it can no longer rely on the economic support of the neighbouring Communist governments in Poland and Hungary. Ever since the East Berlin workers' revolt in midsummer 1953, the Ulbricht regime and its Russian masters have been making a serious effort to improve the economic condition of the East German workers, while continuing a policy of ruthless repression against the intellectuals and middle classes. This programme had met with some success, and, as living conditions improved somewhat, the East German workers, though far from content, showed no willingness to repeat the adventure of June 1953; this was why they lay low during the anti-Soviet disturbances in Poland and the revolution in Hungary. But this improvement in East German conditions was being achieved at the expense of its Communist neighbours, and indeed it was precisely this fact that brought on the revolutions in Poland and Hungary, where economic conditions were being screwed down by the Russians in order to keep the East Germans quiet. The first result of the troubles in Poland and Hungary was to put an end to this subsidisation of the Pankow regime, whose future is, therefore, once again in jeopardy.

The Poles had been obliged to supply coal at ridiculously low prices to the East Germans, but since Mr. Gomulka came to power these deliveries have fallen from a rate of seven million tons a year to about two million tons. The fuel shortage has undermined all East German industry and forced the Pankov regime to abandon its five-year Plan. The abandonment of the Plan has been passed off by the government as a return to a more liberal economic system, but this attempt to make a virtue of necessity cannot disguise the fact that production is threatened. The Hungarians had been obliged by the Russians to supply agricultural produce to the East Germans at similarly low prices, and it was this forced surrender of a large part of the country's foodstuffs that drove the Hungarians to revolt. Since the uprising, deliveries of Hungarian produce to East Germany have virtually ceased, and it was the cessation of requisitioning that explained why there was no famine in Hungary after the civil war — the country was actually better fed despite the ravages of war than when it had to sacrifice its food to the East Germans.

Thus the Ulbricht regime has lost two of its three main props; the only one that remains is the 22 Soviet divisions. Admittedly these constitute a pretty substantial prop, especially perhaps in East Germany where in 1953 the workers had a taste of what Russian repression means. But conditions have changed since 1953, for in the event of an open clash between 16 million East Germans and the 22 Soviet divisions the former would now have as allies or benevolent neutrals nine million anti-Soviet Hungarians, 25 million neutral but friendly Poles and 49 million West Germans whose behaviour in such a situation is unpredictable. The dangers are increased, not reduced, by the fact that the Pankow government is obliged to continue the cautious process of destalinisation it had initiated before the Hungarian troubles. It is openly admitted by the regime that there is dissatisfaction among the East German students and that there has been a penetration of "bourgeois ideology" among the intellectuals and among the party rank and file; one has no wish to exaggerate the importance of these signs of discontent, but one is the less inclined to under-estimate them for having missed their significance in Hungary last summer.

The grave embarrassments of the East German regime cause no satisfaction in West Germany, where the immediate future is regarded with frank anxiety. The readiness of Moscow to intervene in the West German electoral debate by offering reunification terms which, although mere propaganda, help the cause of the left-wing opposition, is seen as especially dangerous. This summer's election campaign in West Germany is going to be an eventful one, for the diplomacy of the great powers will be directed toward favouring one party against another, and thus we can expect to see some reckless offers and promises made.

The Adenauer coalition in Bonn has based its whole policy on the support of the NATO alliance, and its main anxiety is that no weakening of this alliance takes place this summer, and in particular that no Western troops are withdrawn from West German soil. In a sense, and for very different reasons, Adenauer is as keen to see Western troops remain in Germany as Ulbricht is to see the 22 Soviet divisions remain there. Yet West Germany's allies are hoping to get their troops out of Germany. France, indeed, has already got most of hers out, to fight the war in Algeria. Britain has just made an attempt to reduce her military commitments in West Germany because of the intolerable burden these impose on her economy; under combined West German and American pressure Britain has had to postpone this reduction, at least until after next autumn's elections. It is no secret that some of Pre-

sident Eisenhower's advisers favour a similar reduction or withdrawal of American troops. This was the supposed content of the famous Radford plan, which caused such an angry reaction from Adenauer that it had to be disowned in Washington. It was also the main idea of Mr. Stassen during his stormy term as "disarmament minister". So far the U.S. Administration has rejected all such suggestions, mainly out of loyalty to Adenauer, but this line of thought still represents an influential section of American opinion.

The Western desire to withdraw troops from West Germany does not stem from disinterest in German reunification. It comes rather from the realisation that the presence of Russian and Western troops in Germany increases the danger of an "accidental" war, does nothing to further German reunification and moreover would have no influence on the course of an eventual war because that would be decided not by land troops but by atomic missiles. For the Government in Bonn, however, the actual, physical presence of Western troops is necessary not because such troops would decide a possible armed conflict but because their involvement would guarantee the continued interest of the Western allies. Once an issue can be settled by atomic weapons and only by atomic weapons, there is no guarantee that the greatest friend and ally will choose to run the risk of suicide by intervening; the automatic involvement of that ally's own men is the only surety against the desertion that the Hungarians have just suffered at the hands of the West.

If this line of reasoning seems excessively cynical, the West Germans can reply that it is after all exactly the reasoning of the British and French today. London and Paris have realised, after Hungary and Suez, that without for a moment questioning American good faith it is nevertheless true that faced with the choice between deserting an ally and plunging the world in a suicidal atomic war, the Americans would at least be entitled to hesitate — and in that moment of hesitation, the fate of Britain and France would have been decided by Russian missiles. That is why West Europe is no longer able to rely on the blanket protection of American atomic power, but must seek to have its own atomic weapons. It seems likely today that a country will choose to use the "absolute weapon" only when its very own security is directly and instantly involved — from which it follows logically that for total security it must possess such weapons itself. Hence the voyage of Mr. Duncan Sandys to the USA to get missiles that the British will be able to shoot off without waiting for American approval; hence too France's decision to press ahead with the manufacture of its own bomb. This insurance is denied to the West Germans, who are prohibited by treaty from manufacturing atomic weapons; so their only surety is to retain as many American, British and French troops on their soil as possible.

The upshot is that although the presence of Russian and Western troops in Germany is the main obstacle to German reunification, both the East and West Germans have to insist on the presence of those troops. Without the Russian troops, the East German regime would collapse; without the Western troops, the Bonn government would have no guarantee that reunification would not take the form of incorporation into the Communist bloc, by force if necessary. The stalemate seems total. But it is just when problems seem most insoluble that they receive a solution, for both sides realise the vanity of persisting in hopeless courses. So the coming year in Germany is fraught with danger but for the same reason it contains a hope too; the hope of an overall settlement as soon as Russia and the West admit that the dangers each side is faced with in Germany are too great to be tolerated.

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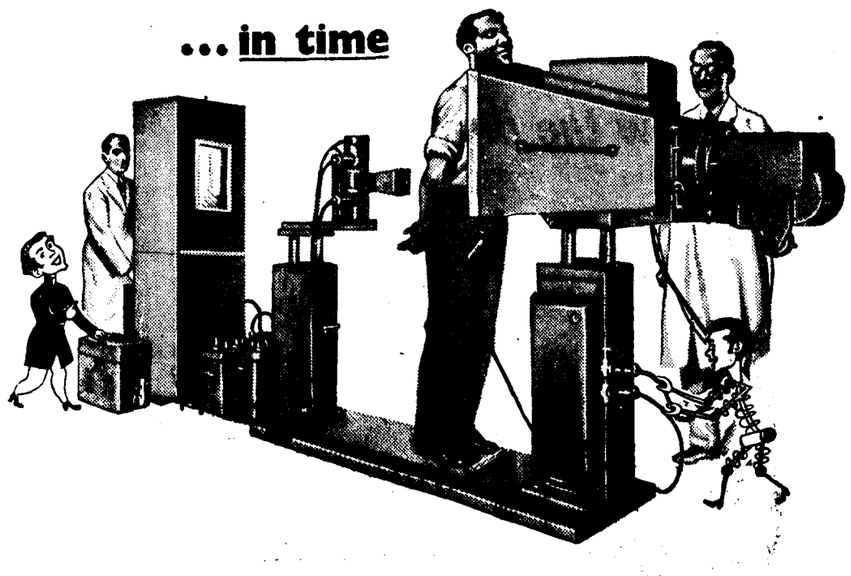
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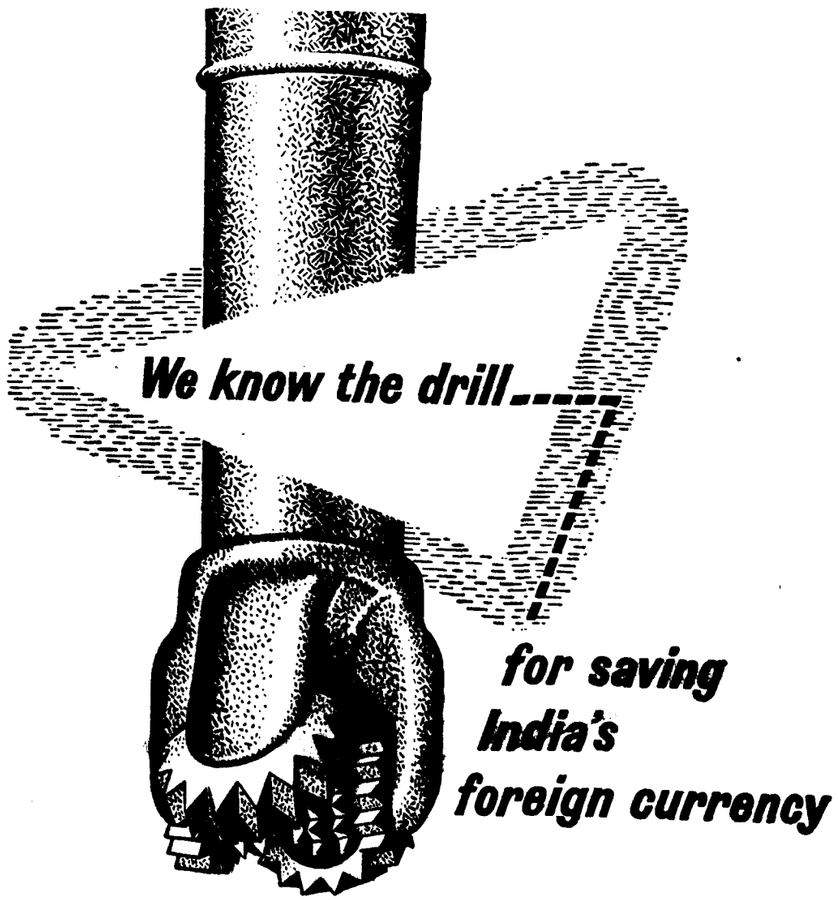
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WORLDGRAM

AGRICULTURE

Grow More Food Programme: Schemes costing Rs. 67.77 lakhs under the Grow More Food programme for Kerala State during 1957-58 were sanctioned at the joint meeting held recently between the representatives of the Union Ministry of Agriculture, Planning Commission, Union Ministry of Finance and the Ministry of Community Development. The total ceiling fixed by the Planning Commission for the Grow More Food schemes of Kerala State for 1957-58 is Rs. 71.09 lakhs. The Central share of assistance to the schemes so far approved amounts to Rs. 47.18 lakhs as loan and Rs. 10.40 lakhs as grant making a total of Rs. 57.58 lakhs to which the State will contribute Rs. 9.79 lakhs. This makes a total layout of Rs. 67.37 for the State's Grow More Food scheme on the basis of present sanctions.

*

Improvement of Cattle in India: Planning of cattle development schemes on long-term basis, establishment of separate Animal Husbandry Departments in States, production of better cattle breeds and discouragement of the industrial use of cattle feeds and fodder resources were some of the important suggestions that emerged from the annual general meeting of the Central Council of Gosamvardhana held recently. Other suggestions which the Council made related to increasing the fee for cattle impounding under the cattle Tress Pass Act, establishment of Gharmalayas for the economic utilization of dead animals, controlled grazing of forest lands and discouraging the use of oilcakes for manurial purposes through educative propaganda. The Council also pleaded for undertaking schemes for salvage of dry cattle and supply of fodder seeds and cuttings on subsidised rates.

INDUSTRY

Standard Specification for Sodium Nitrite: The Indian Standard Institution has published an Indian standard specification for sodium nitrite, technical. This standard prescribes the requirements and the methods of test for sodium nitrite, technical. Copies of this standard are now available for sale from the Indian Standards Institution, 19 University Road, Delhi-8, and its branch offices at P-11 Mission Row Extension, Calcutta, and at 40/40A Cowasji Patel Street, Fort, Bombay.

*

Rivet Bars for Structural Purposes: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for rivet bars for structural purposes. The requirements for this material had been covered hitherto by the Indian standard specification for structural steel (IS: 226-1955). The Committee responsible for this standard felt that the provisions applicable to rivet bars should be excluded from IS: 226-1955 and issued as a separate specification. The draft, therefore, prescribes requirements for rivet bars for structural purposes made from plain carbon steel. The standard has been divided into two parts; part I covers clauses on general requirements while part II includes clauses on specific requirements such chemical composition tolerances, etc. All values appearing in this draft are given in metric units. In order to help the industry to familiarize itself with the metric system, equivalents in the inch system are also given.

*

Conversion from Inches to Millimetres: The Indian Standards Institution has published an Indian standard guide for inter conversion of values from one system of units to another. This standard is intended to serve as a guide in converting numerical values of physical quantities from one system of units of measurement to another system of units. The Standard guide puts forth the Indian standard procedure, which is general enough for use in the inter-conversion of all quantities from one set of units to any other. It also discusses in some details the significance of stated values and shows how to assess their significance for the purpose of conversion. It lays down a standard practice for stating and specifying values, so as to make their significance self-evident beyond doubt and not subject to different interpretations.

TRADE

More Coffee Released for Export: The production of coffee of the 1956-57 crop is estimated at 37,800 tons. After providing for consumption in the internal market during 1957 and for a suitable carry-over for 1958, the Government of India have decided to allocate 11,050 tons for export out of the 1956-57 crop. As an allocation of 7,900 tons was announced earlier, an additional quantity of 3,150 tons of coffee is now made available for export.

*

New UK Trade Agreement with Japan: Britain signed a new trade agreement with Japan recently. The agreement marks the conclusion of negotiations which began on October 1, 1956, between delegations of the two countries. Financial and trade questions of common concern were discussed. The new arrangements with Japan, says a Board of Trade announcement, cover a period of one year ending September 30, 1957, and provide for import facilities and related matters between Japan, on the one hand, and the United Kingdom and its dependent territories, on the other. The arrangements maintain, with very minor exceptions, all the trade quotas previously available to United Kingdom exporters. The previous trade quotas available to Japan have been maintained, with increases in value in a few cases. The arrangements allow for some small relaxations in restrictions on Japanese imports, while additional facilities have also been obtained for UK trade with Japan.

FINANCE

Aid for Road Development: Sums totalling Rs. 28,92,827 have been sanctioned by Government of India for road development works in Tripura and Pondicherry. Of these, a sum of Rs. 27,54,127 is for road development work in Tripura. The amount sanctioned for Tripura covers three development items: Rs. 22,00,300 for the improvement of Udaipur-Sabroom from Matabari to the 26th mile post; Rs. 5,46,300 for the construction of Kailashahar-Kumarghat Road; and Rs. 7,527 for survey operation in connection with the opening out of the Kailashahar-Kumarghat Road in Tripura. For the improvement of the Cuddalore Road in Pondicherry State, the sum sanctioned is Rs. 1,38,700. Government of India have given technical approval for the development and improvement of Kandalpur-Machgaon Road from miles 16½ to 31½ (excluding bridges) in the district of Cuttack at an estimated cost of Rs. 22,64,000. Technical approval has also been given for the widening of the existing 12-ft. road to 24-ft. width of the Simla-Nahan-Paonta-Dehra Dun Road from the 68th to 73rd mile in Himachal Pradesh at an estimated cost of Rs. 4,65,100.

Financial Assistance to Village Industries: Financial assistance in the form of grants and loans amounting to Rs. 3,22,815 has been sanctioned by the Ministry of Production to State schemes for development of hand-pounding of rice and bee-keeping and for promotion of the pottery industry. Uttar Pradesh has received two grants—one of Rs. 12,600 for a scheme for hand-pounding of rice and the other of Rs. 30,215 for a scheme for bee-keeping in Almora. For the development of pottery industry on an intensive basis, through co-operative societies, registered bodies or statutory State boards a grant of Rs. 1,40,000 and a loan of a similar amount, have been sanctioned by the Ministry, to be utilised by the Chairman of All-India Khadi and Village Industries Board for setting up and working model pottery centres. The Ministry has also released a further sum of Rs. 5,00,000 out of a total of Rs. 18,00,000 sanctioned to the All-India Khadi and Village Industries Board as loan for development of hand-pounding of rice industry. Thus the total amount released for the purpose during the year 1956-57 comes to Rs. 13 lakhs.

*

Central and State Government Loans: Government Promissory Notes of the following Loans enfaced for payment of interest at Delhi and New Delhi, interest on which falls due for payment during March, 1957, will now be accepted by the Public Debt Office, Reserve Bank of India, New Delhi for payment of interest to facilitate delivery of their securities and interest warrants on the due dates.

Central Government Loans

3 per cent Conversion Loan 1946

4 per cent Loan 1960-70

2¾ per cent Loan 1976

State Government Loan

3 per cent Loan 1960

2¾ per cent Loan 1961

3½ per cent Loan 1962

4 per cent Loan 1967

4 per cent Loan 1968

Holders of the above loans are advised to lodge their securities well in advance of the due dates. In view of the heavy work involved, the period for delivering securities tendered for payment of interest will be extended to six clear working days.

*

Company Formation in Northern Zone: Three public companies with an authorised capital of Rs. 4,15,00,000 and Rs. 2,51,20,000 respectively, were incorporated during the month of January 1957, in the Northern Region consisting of Delhi, Punjab, Rajasthan Uttar Pradesh. Of these, one public company and two private companies were registered with an authorised capital of more than Rs. 10 lakhs.

one public company, having an authorised capital of Rs. 1,00,00,000 and seven private companies, having an authorised capital of Rs. 28,90,000 went into liquidation during the period under review.

Low-Income Group Housing Grants: During January, 1957, the Government of India sanctioned loans amounting to Rs. 17,349 lakhs to Assam and Madras under the Low-Income Group Housing Scheme. Assam was given a sum of Rs. 10.13 lakhs and Madras Rs. 7.219 lakhs. The total amount of loans sanctioned to various State Governments, since the inception of the scheme in November, 1954, is Rs. 1,361,649 lakhs.

*

Double Income-Tax Relief between India and Ceylon: According to Article II of the Agreement for Relief from or avoidance of Double Taxation of income between the Government of India and the Government of Ceylon, double income-tax relief for the assessment years 1950-51 and 1951-52 should be computed as if the provisions of the Income-tax (Double Taxation Relief) (Ceylon) Rules, 1942 applied. The time limit for filing the claims for the double income-tax relief for the assessment year 1950-51 expired on March 31, 1955. However, as all the formalities for giving effect to the aforesaid agreement were completed only in the first week of February, 1957, it has been decided to extend till March 31, 1957, the time limit for entertaining claims for double income-tax relief for the assessment year 1950-51. Instructions already exist for admitting similar claims for the assessment year 1951-52 if made before March 31, 1957.

GENERAL

US Assistance for Geological Survey of India: The Government of India and the United States recently signed two supplementary project agreements that will provide $500,000 of development assistance funds for help in the current Geological Survey of India and $102,000 of technical assistance funds for financing the work of the heavy equipment training centres at Kotah and Nagarjunasagar. The additional photogrammetric equipment to be purchased with the development assistance funds will allow production of large-scale maps required for projects under the second Five-Year Plan in such fields as Railway Valley Development, Natural Resources, Exploration, Flood Control, Road and Railway Construction, Land Reclamation and general urban and countryside development. The Government of India will provide inland transportation and local expenses for the imported items of equipment and the establishment charges.

*

Production of Fertilisers and By-Products at Sindri: A total quantity of 7,576.86 tons of ammonia and 27,927 tons of sulphate were produced in the Sindri Fertilisers and Chemicals (Private) Ltd., during the month of January, 1957. During the same period 2,25,38,600 K.W.H. of electric energy was generated.

In the Coke Oven plant, 19,535.02 tons of coke and 1182.40 tons of coal tar were produced during the month. Other products manufactured in the factory were motor benzol 20,307 tons; pure benzone 7,142 gallons, pure toluene 3,517 gallons and solvent naptha 2,300 gallons.

During the month of January, 24,828.67 tons of ammonium sulphate, 1,203.62 tons of coal tar, 25,000 tons of coke, 5,200 gallons of motor benzol, 2,850 gallons of light solvent naptha and 1,350 gallons of pure toluene were sold.

The entire quantity of electricity generated in the power plant was consumed in the factory itself.

NEWS IN BRIEF

INDIAN

It is reported various policy decisions and administrative steps have been taken by the Union Government in connection with the formulation of what is described as a comprehensive "manpower budget" for the country.

*

The Indian Government has decided to set up a wholly State-owned Export Risks Insurance Corporation with an authorised capital of Rs. 50 million, 10 per cent of which will be paid up.

*

After a continuous increase for three years, iron ore production received a slight setback during 1956 and totalled 4,237,000 tons, compared with 4,260,000 tons in the previous year.

*

A pilot scheme to help the educated unemployed enter into avenues of employment other than 'white collar' jobs has been sanctioned by the Government of India. Under the scheme, four work and orientation centres will be set up in the country, one each in the States of Kerala, Delhi, West Bengal and Uttar Pradesh.

*

An eleven member Committee to devise methods for popularising discoveries of science and creating science mindedness in the country has been set up by the Council of Scientific and Industrial Research.

*

The President has given his assent to the Madras Inams (Assessment) Bill, 1956, and the Madras District Collectors Powers (Delegation) Bill 1956.

*

The Leipzig Spring Fair will take place from the 3rd March to 14th March. India will be represented by an information booth of the Ministry of Commerce and Consumer Industries and private exhibition stalls.

*

There are 119 woollen mills functioning in India with 3,950 powerlooms and 157,064 spindles (61,032 woollen and 96,032 worsted).

*

According to the Indian Sugar Mills' Association, the sugar production during the month of January, 1957 was 3,64,216 tons, bringing the total production during the first three months of the season 1956-57 to 8,16,399 tons. The corresponding figures during the last season were 3,55,000 tons and 7,12,000 tons respectively.

*

India's export earnings from cloth exports in 1954 were Rs. 66.93 crores, they declined to Rs. 57.76 crores in 1955. During the first eleven months of 1956 the estimate of these earnings is Rs. 51.56 crores—a fall of 23 per cent since 1954.

*

The Indian Government will shortly buy from Japan $734 million (Rs. 349.36 crores) worth of Nipponese light and heavy machinery and industrial plants. This will include railway rolling stock, textile equipment, machinery for aluminium refining and sugar refining plants, machinery for chemical fibre and cement production. In return India will supply part of the steel which Japan will require for her automobile plant at Djakarta in Indonesia.

FOREIGN

Eleven major UK banks have decided to adopt a nation-wide system for automation in banking. This decision has been reached by the Committee of London clearing Bankers.

*

It is reported a group of engineers representing Siderurgia National, the Portuguese steel company, will visit Britain shortly to examine steel plants there.

*

A preliminary two-year agreement between Swedish employees and the Confederation of Trade Unions concluded recently provides for a 2 per cent wage increase this year and 2½ per cent in 1958, when the working week will be reduced from 48 to 47 hours.

*

A survey of machinery installed in the world's spinning mills compiled by the International cotton Federation shows a total of 131.34 million spindles at July 31, 1956 compared with 129.48 million a year earlier.

*

World wheat production for the current crop year of 1956-57 is likely to be about 121 million metric tons some two million tons below the production for 1955-56.

*

The World Bank is sending a mission to Argentina at the request of the Argentina Government to study the general economic situation and the Governments' investment plans.

*

General Motors Corporation has disclosed that the average hourly wages of its employees in the United States hit a record of $2.48 in 1956.

*

World's leading manufacturers of agricultural machinery will display their latest products in the international show of agricultural machinery held in Paris from 5th to 10th March, 1957.

*

The number of foreigners registered for work in Sweden on October 1, 1956 equalled 134,676 i.e. the highest figure hitherto. Thus compared to the figure computed at the same time last year, the number of foreigners had increased by over 13,000.

*

David A. Morse, Director General of the International Labour Organisation has announced the ratification by Israel of two ILO conventions on the freedom of association. Israel has now ratified 20 such convention, which have each been signed by more than 23 countries.

*

The International Bank for Reconstruction and Development has reported a net income of $18 million for the six months ended 13th December, 1956, which compares with $13.7 million for the same period in 1955.

*

Imperial Chemical Industries, Ltd. the largest producer of titanium in Great Britain, recently announced substantial reductions in the price of its wrought titanium and titanium alloy products. While continuing to vary according to the form of wrought product and the grade or alloy of titanium ash, prices will in general be lowered by 10 per cent.

*

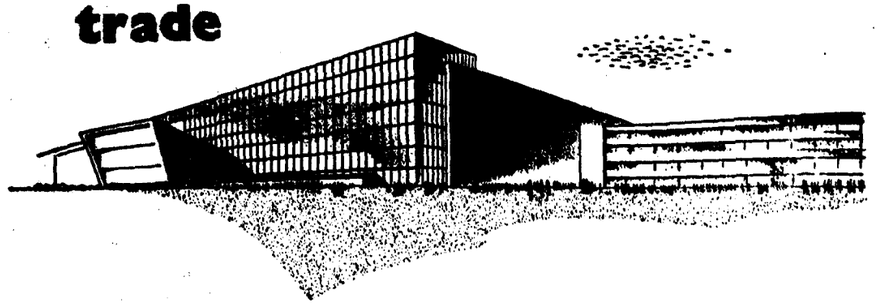
UK oil production reached a new post-war peak in January. British petroleum announced recently that its oil fields produced 6,714 tons during the month, mainly as a result of increased production from its Egmanton field in Nottinghamspire, discovered in 1955.



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Special Articles

THE SOCIALIST PHILOSOPHY

(CONTRIBUTED)

THE election manifesto, issued by the Indian National Congress, says that its objective is to establish a "full socialist order of society", giving freedom, welfare and equality of opportunity to all. The second Five-Year Plan also says that it has been drawn up so as to give concrete expression to the decision of the Government and the people to usher in, by gradual stages, "a socialist pattern of society"

The reiteration of the socialist ideal has been criticised on two grounds. On the one hand, it has been said that socialism is a new concept in the armoury of the Indian National Congress, introduced mainly to "steal the thunder" from the parties of the left. On the other hand, it has been averred that there is nothing revolutionary or new in this objective — Congress has been saying today exactly what the Labour Party had said in Great Britain during the period between the two wars.

As regards the first criticism, it may be conceded that socialism is not an entirely new concept with the Congress. Ever since the beginning of the present century, Congress leaders have pointed their accusing fingers to the exploitation of the common people which had been going on throughout the country. It is true that, on most occasions, the attack was directed against isolated acts of omission or commission on the part of an alien Government, but, by about the thirties of the present century, there had emerged, out of these attacks, a vague socialist ideal. Thus the entire socio-economic programme of the Karachi (1931) session of the Congress was punctuated by socialist philosophy. The resolution passed at this session said that 'Swaraj', as conceived by the Congress, meant, first and foremost, the economic freedom of the masses. As many as thirty specific measures were listed in the resolution — measures intended to bring about, in due course, a socialist society.

Even so, it took quite some time for a definitely socialist pattern to evolve. At the Lucknow session of 1936, the agrarian programme merely highlighted the struggle between socialism and Gandhism. At the Faizpur session of the same year, socialism was, as it were, Indianised. It was only in 1945 that the Congress, in its election manifesto, openly emphasised the need for the "planning and co-ordination of social advance in all its many fields" and called upon the people to give their seal of approval to "a programme for the prevention of the concentration of wealth and power in the hands of individuals and groups and of the growth of vested interests inimical to society". Simultaneously, it put forward a plea for the social control of the mineral resources, means of transport and the principal agencies of production, distribution and exchange.

Since then, the goal of a socialist pattern or order of society has been reiterated on many occasions — both in the inner councils of the Congress and on the public platform. The latest manifesto of the Congress merely goes back to the fundamentals of the socialist philosophy — a trend which is in keeping with the transformation in contemporary socialist thought in many Western countries. To quote from the manifesto again, "Socialism does not rest content merely with signifying changes in the economic relations of human beings. It involves fundamental changes in the socialist structure, in ways of thinking and in ways of living. Caste and class have no place in the socialist order envisaged by the Congress. The old idea of privilege on the basis of birth or caste or class or money or the hierarchy of office, must be discarded. Men should be judged by their labour, their productive and creative efforts, and their services to society and humanity".

It is this stress over ways of thinking and ways of living which is the most significant contribution of socialism to the modern world. Yet, only a few years ago, socialism was losing its moorings in the blind alley of collectivism or statism. The socialist society was being envisaged more as an institutional pattern in which the control over means of production, and over production itself, was vested in a central authority. Between 1920 and 1945, nationalisation was regarded almost as an end in itself: it was fondly believed that once the State controlled production and the agencies which entered into production, the worker would be able to secure for himself the full product of his labour, an adequate standard of living and freedom in his daily life.

It will be useful to enquire at this stage how the socialist ideal has developed. Although socialism is generally supposed to have had its origin in the works of Karl Marx, there were numerous theorists before Marx who, dissatisfied with the existing state of the society, gave vent to their dissatisfaction in planning ideal societies in which property was held in common and injustice was unknown. Prominent among these were Robert Owen of England, who drew the picture of voluntary communities where all property would be held in common, and Charles Fourier of France who put forward, in his **Nouvean Monde industriel et societaire,** an idealistic scheme of social reconstruction. They amplified and expounded the utopian socialism of the seventeenth century, preached by More in his "Utopia", Campanella in his "Civitas Solis" and Harington in his "Oceana".

Modern socialism, however, dates from the nineteenth century—as an expression of revolt against conditions created by the capitalist structure of production, distribution and exchange. Intellectuals like Babeuf, Morelly, Fichte, Proudhon and Sidney Webb were appalled by an economic system which combined unparalleled material progress with equally unparalleled human misery. Moved deeply by the injustice of distribution which prevailed in the midst of efficiency of production, these socialists asserted that the existing economic system was wrong and that it must be replaced by another. Others like Marx and Engels went a step further: they said that competition and free market—the two pillars of the capitalist system—would themselves lead to its down-fall. Free competition, instead of remaining free, would stimulate the capitalists to create monopolies, while the workers would be forced, by the stern logic of the labour market, to organise themselves in self-protection. Finally, the recurring and deepening crises which occurred in industry and trade would make the collapse of capitalism inevitable.

It is important to remember, however, that, even in the heyday of 'laissez-faire', the capitalist system never coincided with the above theoretical model of orthodox economics. Its own inner dynamics on the

one hand and increasing democratic pressures on the other have changed it almost beyond recognition. The success of piecemeal reforms, the growth of collective bargaining, the introduction of social services, the constant extension of redistributive taxation, the spread of co-operative and municipal enterprise, and the coming of full employment have transformed the economic system in many capitalist countries almost beyond recognition.

It was soon discovered, however, that the transformation was superficial. Material values were still accepted as the main criteria of progress. Although the capitalist no longer spoke of private profits, his language was still that of higher production, national solvency and a rising standard of living. The socialist, on the other hand, wanted to see embodied in the economy the universal human ideals of equality, freedom and fellowship. He judged the economic system not by mere economic results (output, trade, costs and incomes), but by philosophic terms—what it did to the dignity of the people or the quality of their lives.

To the modern socialist, therefore, the quantitative improvements which have been gained—less unemployment, higher wages, shorter working hours, increased pensions and more money for the social services—are only the preliminaries to the real struggle for a qualitative change, for a society with a different content, combining a fuller life for everyone with some finer, more co-operative way of living together. As has been aptly remarked by Prof. R. H. Tawney, "What is repulsive is that some classes should be excluded from the heritage of civilisation which others enjoy, and that the fact of human fellowship, which is ultimate and profound, should be obscured by economic contrasts, which are trivial and superficial".

It took the modern socialist quite some time to arrive at the above conclusion. For years, the socialist in liberal democratic countries pinned his faith on nationalisation or the reduction of monopoly profits or industrial co-ordination as the means to bring about the socialist order. Experience has, however, shown that these yield results which are elusive in character and negligible in quantity. In many countries, the Civil servant has merely transferred the interest on the once privately owned capital of the nationalised industries to the Treasury, while redistributive taxation has merely limited the private accumulation of capital. Industrial co-ordination has not led to industrial democracy.

The Indian National Congress is now speaking in terms of fundamental changes in the social structure and in ways of thinking as well as of living. But can it be truthfully said that it has returned to the 'essence' of socialist philosophy? As everyone is aware, it is possible to have within the facade of socialism a life in which the common man is exploited as ruthlessly by a centrally planned economy as by a harsh free economy. Socialism does not mean more public enterprise, more planning, more money spent on the social services: it means the imprint of a social purpose behind all our economic activities and the emergence of a society in which the individual has the fullest freedom and opportunity to develop himself into a social (as opposed to economic) man.

One looks in vain for this true socialist ideal in the policies and programmes pursued by the Congress Party in Parliament. The measures of nationalisation which have flooded the country during the past few years have not brought to an end the exploitation of the common man. The most charitable explanation which can be offered is that an all-powerful Collectivist State has stepped into the shoes of the 'selfish' private entrepreneur. We are still far off from the goal of "economic and industrial democracy" envisaged by thinkers like G. D. H. Cole: in the three-cornered fight between employers, workers and consumers for the appropriation of the national dividend, the community as represented by consumers is having the worst deal. This, of course, is due to the weak position of consumers: a universal boycott is even less conceivable than a general strike. It was once thought that the State would provide the necessary "countervailing power", but events seem to show that it has miserably failed to do so. The establishment of a "Welfare State" is not, as is often imagined, "socialism". A "Welfare State" has existed in the past, and still exists today, in totalitarian countries, but no impartial student of history would say that the common man there enjoys true freedom. The mere replacement of the selfish individualism of the Liberal school by the tyrannical collectivism of an omnipotent State does not, and cannot, bring about socialism.

The ultimate aim of the socialist is to give to the individual the maximum amount of liberty: this can be achieved only if the State co-operates with the community to provide the atmosphere in which this liberty can be enjoyed. Socialism is neither the resentment of the hungry and the oppressed, a kind of slave uprising against the privileges enjoyed by certain classes or groups of men, nor is it the mere antithesis of individualism and 'laissez-faire': it is a partnership in which all can, and should, share the common inheritance of the means and opportunities of good living and happiness.

BANKING IN TRAVANCORE-COCHIN

THE report of the Travancore-Cochin Banking Inquiry Commission has brought out some revealing features of the banking structure in that area. The Commission was appointed early in 1956 to investigate the position of banks comprehensively having regard to the special characteristics of the economy of the State. On account of its variegated crop pattern, Travancore-Cochin's economy is comparatively free from the cycles of seasonal activity common in the rest of India. This has been an advantage to the banking system of the State and to business generally. The economy, though primarily agricultural, has attained a high degree of monetisation, the principal reason being the preponderance of cash crops in its agricultural activity.

It is no exaggeration to say that banking in Travancore-Cochin has developed according to its own genius. It is interesting to note that the business conducted by banks is often not limited only to the twin functions of acceptance of deposits and dispensing credit. Till recently the business of 'kuries' or 'chitties' formed a substantial portion of their total business. In fact most of the banks in this area have grown out of 'chit' and 'kuri' funds. The wild growth of banking in the thirties may be attributed to the fact that no law was in existence in the former States of Travancore and Cochin governing the various aspects of commercial banking so that prudent commercial banking principles were hardly followed in the conduct of business.

Travancore-Cochin stands foremost in regard to the number of banking offices with one banking office for an average of 15,891 persons. The average number of people per banking office works out to 15,900 in Japan, 7,600 in the USA and 4,600 in the UK. One peculiar aspect of the banking scene in Travancore-Cochin is the preponderance of the small-sized banks, i.e. banks with working funds of less than Rs. 10 lakhs. Thus of the total of 136 banks which replied to the Commission's questionnaire as many as 95 are of small size. This is because banks are not concentrated in cities and large towns but are generally spread out into the rural interior. Thus, even before the Rural Banking Enquiry Committee stressed the need for banks in the rural parts of the country, there had been a wide-scale expansion of rural banking in Travancore-Cochin. Even then, only 7 per cent of the credit needs of the rural people are met by commercial banks. While there is no doubt that the small banks played a significant role in financing agriculture, it should be noted that the personal and other advances most of which would be normally used for unproductive purposes amounted to as much as 45 per cent of their total advances.

Banks in this area generally suffer from various structural and managerial defects. One is that over one-third of the total advances of banks incorporated in the State as on December 31, 1955 was granted on personal security. As a result many of them were saddled with a large amount of bad and doubtful debts. Close to the unsecured advances were advances against real estate which formed 26.9 per cent. Again, interest rates charged and paid by banks are comparatively high. The lowest rate paid by as many as 122 banks incorporated in this State on current deposits was over ½ per cent while the highest rate quoted by 85 banks was over 1 per cent. As many as 115 out of 123 banks having savings accounts paid over 2 per cent. The minimum rate paid on fixed deposits by most of the banks varied from 2 per cent for three months to over 4 per cent for two years and more. Nearly 80 per cent of the total deposits carried interest at not less than 3 per cent. This is not surprising as time deposits accounted for 74.5 per cent of the total deposits. The highest rate charged by 99 banks on secured advances exceeded 10 per cent while the lowest rate quoted by 118 banks was over 5 per cent. The comparatively high rates charged by local banks on advances were partly due to the competition among them to attract deposits and partly due to their practice of advancing a high proportion of their funds against real estate and personal security. The special conditions of the economy of Travancore-Cochin perhaps warrant some consideration in respect of advances against real estate.

The main weaknesses, however, are over-capitalisation, over-extended advances and low real value of paid-up capital and reserves. The smaller the bank the greater is the likelihood of its being over-capitalised. Thus 84 per cent of the reporting banks show an over-capitalised position. In the Commission's analysis a bank is considered over-capitalised when its capital and reserves exceed 10 per cent of its deposits. Even if this norm is put at 20 per cent the position does not after significantly. More than 55 per cent of the banks deviate from the all-India norms in respect of over-extended advances portfolio and high proportion of advances against real estate and clean advances. Again the nominal value of paid-up capital and reserves of 39 reporting banks is less than the minimum requirements laid down in Section 11 of the Banking Companies Act. The infirmities from which the banks in Travancore-Cochin suffer are not confined to only the small sized banks but affect all the groups more or less equally. The Commission comes to the conclusion that many of the difficulties confronting the Travancore-Cochin banks are more due to their managerial policies than to their structure. This can be illustrated by one fact. The fall in the ratio of gross profit to working capital between 1951 and 1955 despite the rise in the ratio of gross earnings shows that payments by way of interest on deposits had risen considerably during the period.

One of the major defects of small banks in India is their propensity to overtrade at the expense of liquidity. It, therefore, seems desirable to insist on all banks maintaining a reasonably large proportion of their cover in the form of cash, gold or unencumbered approved securities. Section 24(1) of the Banking Companies Act fixed the proportion at 20 per cent. It is the contention of the Travancore-Cochin banks that as their deposits are mostly on a time basis and the cost of money is high in their case, strict adherence to Section 24 would seriously affect their earnings. They argue that the higher rates of interest paid on deposits can be compensated for only by utilising more of their funds for lending than by keeping them idle or by investing them in Government securities. The Commission has, therefore, recommended that the present concession given to them upto March 31, 1957, viz. maintenance of 15 per cent of the total demand and time liabilities in eligible assets, may be continued for a further period of three years. It can be seen from a study of all-India banking statistics that while there may be seasonal variations in advances, well-managed banks as a rule do not lend more than 60 per cent of their deposits. Banks are the repositories of the savings of the public and any indiscriminate use of the deposits is liable to bring distress in its train. What is necessary is that banks in Travancore-Cochin, irrespective of their size, should be enabled to carry on their normal operations without at the same time sacrificing any of the sound canons of banking. The ratio of 20 per cent is clearly necessary for Travancore-Cochin banks in the long run. But the interim concession suggested by the Commission is advisable to prevent probable inconvenience to them.

The Commission opines that there has been considerable degree of unhealthy competition which has led to the pursuit of unsound banking practices. Apart from the weaknesses detailed above, such features as the concentration of borrowings in a few hands and larger advances to directors, their relations and concerns in which they are interested, are found to exist among a large number of banks. Elimination of unsound and uneconomic units, which predominate by and large in the small-sized and medium-sized groups, will go a long way to impart a healthy tone to the banking system. Though the Commission rejects the the idea of any drastic reorganisation it has recommended the selective weeding out of the weaker ones by a process of amalgamation or merger. Such mergers or amalgamations will in the long run help to bring about equilisation of interest rates and other charges and enable the new units to lend proportionately more. It may be remembered that the Banking Companies Act and regular inspection by the Reserve Bank became operative in Travancore-Cochin only from a very recent date, i.e. 1951, unlike in other parts of India.

One criticism against the Travancore-Cochin Banking Inquiry Commission is that it has not faced its task squarely on certain points and provides no clear answer to some of the problems posed on the plea that a "fuller enquiry" is necessary. For example, on the question of the bankers' stand that borrowings from scheduled banks against approved securities should be excluded for purposes of computation of liabilities, the Commission is indecisive and suggests instead that "the matter may be further examined by the Government of India." The Commission was appointed to investigate the banking system in Travancore-Cochin "in a comprehensive manner" and it is unnecessary that another body should be constituted for studying certain aspects which were clearly within its terms of reference.

BOOK REVIEWS

THE GANDHIAN WAY

Gandhi Marg—A Quarterly Journal of Gandhian Thought: Vol. I, No. 1: Editor S. K. George: Published by Gandhi Smarak Nidhi, Mani Bhuvan, 19 Laburnum Road, Bombay-7: Subscription Rate Rs. 5 a year in South Asia, 10s. or $2.00 elsewhere, post free.

'Gandhi Marg' means the 'Gandhian Way'. This at once strikes one as a very appropriate title to a journal published by the Gandhi Smarak Nidhi which is devoted to "the principal object of spreading the gospel of Gandhiji— the gospel of truth, non-violence, peace and brotherhood of man, and its application to every walk of life". The first number of the journal is a promising beginning in the direction of spreading the Gandhian gospel and of resurrecting such Gandhian values as are under a cloud of late.

The journal will give news of the activities of the Nidhi in its various branches. As Gandhiji was a constructive revolutionary and as his activities touched life at many points, contributions from Gandhian students all over the world will also form part of this Quarterly. Gandhiji belonged to the entire world, not only to India. And the Gandhian tradition is also a world heritage. It is, therefore, still more appropriate that the very first number should have included eight articles written by such well-known Western friends as Horace Alexander, Muriel Lester, Roy Walker, Richard B. Gregg, Dr. A. E. Morgan, Reginald Reynolds, Wilfred Wellock and H S. L. Polak. The subjects covered by them deal, among others, with the service spirit of Gandhiji, the Gandhian reverence for all faiths, the Gandhian alternative to Western materialism and the Gandhian pacifism. The Indian contributors include the familiar names of Pattabhi Sitaramayya, G. Ramachandran and Kalelkar. It is regrettable, as the Editor himself admits, that more Indian friends have not promptly sent articles as the Western admirers and followers of Gandhiji have done. This initial phase of indifference may soon pass away, and the Quarterly is bound, in due course, to fill the void created by the closure of 'Harijan' and shape itself as a monument to the Mahatma.

NATIONAL POLITICS

National Politics and 1957 Elections in India: Edited by S. L. Poplai: Dewan Chand Indian Information Centre: Pherozshah Road, New Delhi: Pages: 172: Price Rs. 4/-.

The book under reveiw, published on the eve of India's Second General Elections, is a valuable and timely contribution to the study of politics in this country. It intends to provide an up-to-date account of the fluctuations in the strength of different parties during the last five years and this purpose is largely achieved in the introductory chapter which gives an account of the fortunes of the different political parties since the last general election. The other useful features in the book are the Policy Statements of all the four all-India parties. Election Manifestos of the parties, a brief account of the by-elections between the two general elections and a short note on the procedure followed by different parties for selecting candidates. Most of the work in connection with this book has, of course, been that of compilation. The real conrtibution is, therefore, made only in the introductory chapter (written by Mr. Sisir Gupta) which surveys the Indian political scene over the years 1952-1956. As this survey is confined only to 46 pages of the book, the treatment of the subject is rather brief and even sketchy at places.

This, however, does not detract from the fact that Mr. Sisir Gupta, who seems to be very well informed on the politics and political parties of the country, has made some astute observations in the opening chapter. One can hardly differ with Mr. Gupta when he says that "the political history of the five years following the first general elections is a history of consolidation by the majority party and confusion among the others." While he gives credit to the shrewd move of the Congress party in anticipating the trend of opinion within the country and adopting the 'socialistic pattern of society' as its goal at the Avadi Session in 1955 and thus causing confusion in the ranks of the opposition, he rightly observes that "the successes of the Government of India in various fields raised the prestige of the party in power". No full coverage of the political situation in India and about the activities of the different political parties is provided, but one does get a rapid and fast moving account of the circumstances which have contributed to the strength of the Congress and the weakness of the Opposition parties. Mr. Gupta's account along with the Policy Statements and Party Manifestos of the different political parties, should prove an excellent guide to an understanding of the second general elections which are just under way in India.

METALS ANNUAL

The Eastern Metals Review (Annual Number): 38, Strand Road, Calcutta: Price Rs. 5: Pages 160.

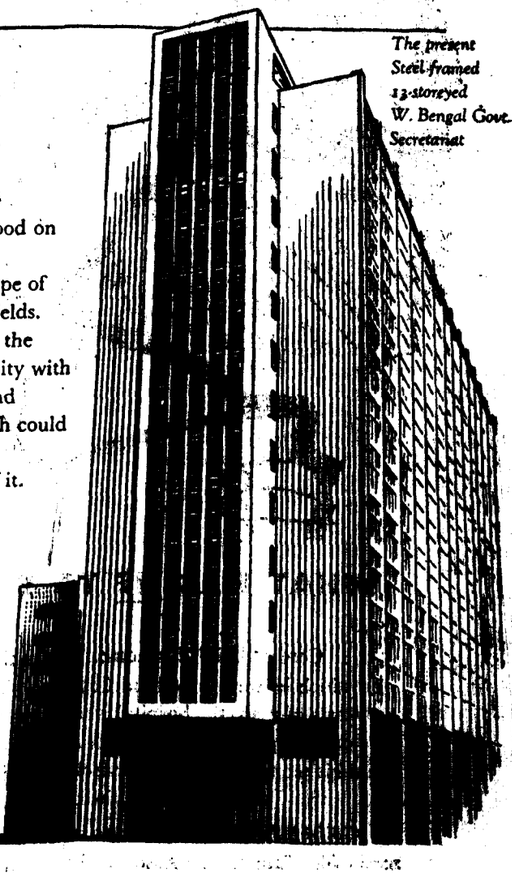
The Eastern Metals Review Annual Number contains a number of interesting articles dealing with metal trade and industry. The number is divided into six sections. In Section A, the important articles are "schemes for development of non-ferrous metals in India", "Minerals in the Canadian economy" by G. F Mintenko, and "Non-ferrous metals industry in the USSR". So far as the development of non-ferrous metal industry is concerned, some new schemes emerged during the year 1956 and concerted action thereon is foreseen in due course. Section B is mostly devoted to the aluminium industry. The suggestions made for the future development of aluminium industry in India are highly practicable. It is essential that if the industry is to stand on its own legs, its cost of production should be kept to the minimum, otherwise we will have the familiar spectacle, which is plaguing some other important industries in India, of high costs to the ultimate detriment, not only of the country but also the consuming public. It is a pity that this obvious requirement is being overlooked and production is proposed to be decentralised by setting up three small plants in the different parts of the country. There may be some advantages in decentralised production, but the much greater advantage of lower cost of production of the larger units will be lost.

State trading in manganese ore was undertaken on the plea that the mineral industry was not developing along sound lines. The main objective was to earn more foreign exchange by reorienting the mineral trade through government on more rational lines enabling the country to increase exports of ores. But from the way the State Trading Corporation has handled the trade by the introduction of the quota system for the export and movement of manganese ores, it is not clear how it would help the Government export policy. The greatest harm which would result from the Government's decision to canalise exports of manganese ore through the State Trading Corporation, would probably be the drying up of the traditional source of finance by the erstwhile exporters and traders.

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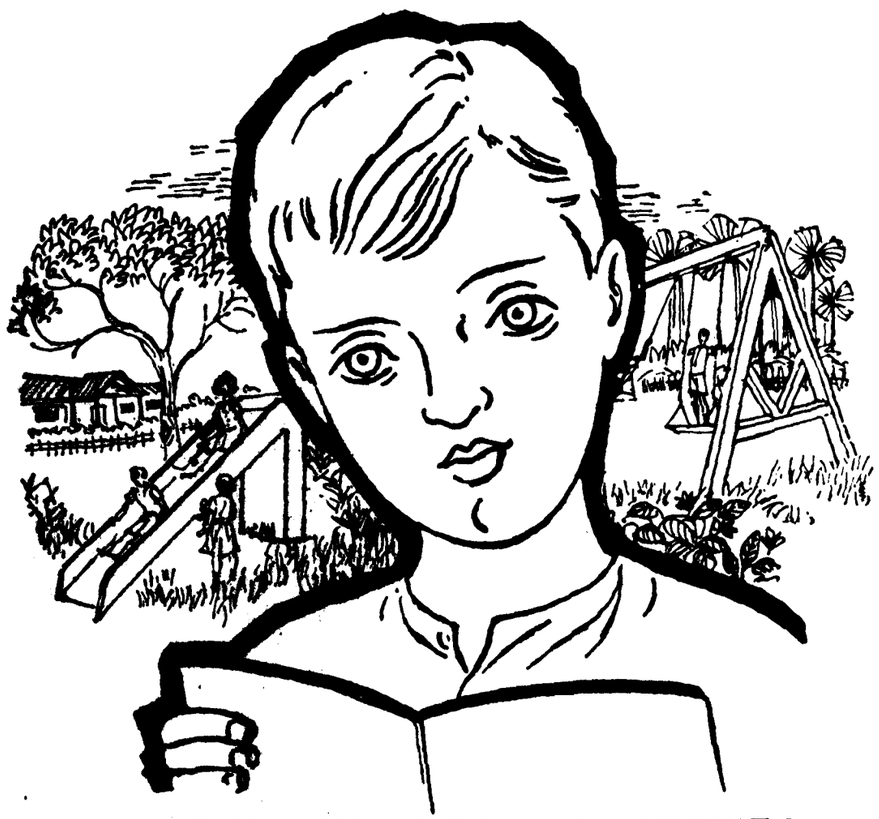



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The Business World

MACHINE TOOLS AND THE PRIVATE SECTOR

THE demand for machine tools is bound to increase rapidly in the coming years with the contemplated programmes of industrial development under the second Plan. It is with a view to reducing the big gap that is likely to arise between demand and the indigenous output of machine tools that Government have given high priority to the development of this basic industry. The constitution of the Thacker Committee early last year to determine the lines on which the machine tools industry should develop explains the awareness on the part of the Government that the progress in the industry is too slow to meet the ever-expanding requirements of the country. The setting up of the Development Council for Machine Tools was a corollary to the acceptance by the Government of one of the main recommendations of the Thacker Committee. The Council has been entrusted with the task of keeping constant watch on the progress of the industry and recommend measures for its rapid development.

The programme for the expansion of capacity that the Machine Tool Committee has recommended indicates that there is no clash between the private and public sectors. In fact, the Minister for Heavy Industries, while inaugurating the Development Council, pertinently explained the complementary roles of these two sectors in the development of this vital industry and pointed out there was no question of any rivalry or competition between the two. It is in the light of this that one should consider the many useful suggestions contained in the speech of Mr. S. L. Kirloskar for the development of machine tools in the private sector at the recent annual meeting of the Indian Machine Tool Manufacturers' Association.

The Machine Tool Industry on an organised scale was established only in 1941 as a result of the impetus given by the second World War. Though the industry has been making some progress, production has not been able to meet demand. Thus, while the value of the output of machine tools has increased from Rs. 47 lakhs in 1951 to Rs. 1 crore in 1956, demand has increased from Rs. 3 crores to Rs. 8 crores so that imports which have been rising steadily reached a figure of about Rs. 7 crores in 1956 compared to Rs. 3.86 crores and Rs. 3.29 crores in 1954 and 1955 respectively. The share of indigenous production in the total machine tools required by the country is still as low as 13 per cent. Though these figures do not take into account the production in the State-owned Hindustan Machine Tool factory at Bangalore and the Prototype Machine Tool Factory at Ambarnath, they will not materially alter the imports because production in these State-owned factories are confined only to a few types of machines which means that a substantial part of the country's requirements has yet to be met by imports resulting in the draining of valuable foreign exchange.

To meet the increasing demand, Government have laid a target that the industry should aim at a level of production of the value of Rs. 10 crores by 1960-61 to be divided equally between the private and public sectors. Mr. Kirloskar has catalogued many of the difficulties facing the private entrepreneurs in starting new machine tool factories partly because of Government's unhelpful attitude to the private sector which serve as a damper and partly because of the risk involved in the industry and the enormous fluctuations in demand. Even the State-owned factories started with large capital may have to face difficulties in disposing of their production because of their high price and the type of machine. So, Government must bestir themselves to develop the proper climate which would enable private entrepreneurs to go ahead in meeting the variety of requirements of the country without any inhibition. Various measures are required to help the private sector to expand production which include obtaining of technical know-how from abroad, financial assistance and help in obtaining raw materials.

With regard to technical know-how, it is necessary for Government to encourage greater foreign collaboration on satisfactory terms. In this connection a report that has appreared recently that representatives of fourteen US machine tool manufacturers met officials of the US Commerce and State Departments to discuss the possibilities for developing the machine tool industry in India is encouraging. It was stated at the meeting that the US Government was interested in assisting India in its plans for expansion of its machine tool industry as a means of implementing President Eisenhower's Foreign Aid Programme. The meeting was also told that Government's plan for help to India would be based on licensing or investment arrangements "for mutual profit" between US and Indian private enterprise instead of through loans and grants. So, the possibilities of US aid can be explored profitably for expansion of the private sector.

Apart from foreign technical collaboration, the Machine Tool Committee itself in its report has suggested that there is need for government help to the private sector both in the matter of easy availability of raw materials and of finance. The problem of scarcity of essential raw materials like steel, graded pig-iron, coal, coke, etc. requires immediate attention and it is up to the Government to improve the supply position. Government also should see to it that wherever possible, orders against Government's requirements would be placed on the indigenous manufacturers. Yet another way in which Government can be of help is by directing the users of machine tools to find out how they can make use of the machine tools that are being already made in the country to the maximum extent. The setting up of an Import Advisory Council for machine tools to review Government's policy from time to time and recommend measures for restricting imports of foreign machine tools comparable to the types manufactured in the country would also assist in checking the accelerated rate of imports of machine tools.

The Minister for Heavy Industries has recently suggested the starting of 'shadow' factories for manufacturing machine tools which means that each manufacturing unit must take up the manufacture of different types of machine tools. Even here, it is necessary for Government to come forward with necessary finances to encourage the existing engineering factories to take up the manufacture of machine tools. It may be of interest to mention here that some of the present successful machine tool makers had made a similar experiment. For example, Kirloskar Brothers had started the manufacture of their lathes in their engineering factory and when it proved successful, a separate limited company was formed later. Finally, Government should also encourage small manufacturers to manufacture graded machine tools through the supply of technical know-how and financial assistance as suggested by the Machine Tool Committee because it has been found that small-scale manufacturers, particularly in the Punjab are making ungraded machine tools and selling them profitably which indicates the demand for them.

Even during recent years, in spite of several handicaps, many factories in the private sector have made satisfactory progress in the manufacture and development of new and improved types of machine tools. Given suitable assistance and favourable conditions, there is no doubt that the private sector can rise to the occasion in meeting the requirements of the country in a vital field of industrialisation.

INDO-U.S. TRADE

A UNITED STATES trade mission is currently touring in this country, exploring the possibilities of promoting Indo-US trade. Although sponsored by the United States Department of Commerce, the delegation is non-official. It is, therefore, all the more significant in so far as it indicates an increasing interest on the part of the US business concerns in the commercial affairs of India. In the first Five-Year Plan and up till now, the interest was confined mainly to the government level and India has been a beneficiary of large US loans and aids towards financing her development projects. But whatever may be the extent of such loans, the need for earning dollars does not diminish. It is true that to the extent that the present delegation, like others of a similar nature, has not come with the purpose of entering into any specific trade deals, to that extent direct and immediate results may not be expected. Nevertheless, the real importance and advantage lies in the fact that representatives of trade and commerce on either side will be provided the opportunity to ask and answer questions relating to the expansion of trade. There is a growing consciousness on both sides that immense possibilities exist for such expansion on private level and the present talks can be hoped to bear good fruit.

The world dollar shortage is the result of a combination of various factors including the relatively low dependence of America on imported goods and her high standard of living, which exerts its demonstration effect on other countries, resulting in a higher demand for American goods. However, India's problem is slightly different. Her total imports, which were showing a steady decline from 1951-52 to 1953-54, started going up from Rs. 656.44 crores in 1954-55 to Rs. 678.99 crores in 1955-56 and were worth Rs. 385.30 crores for the first half of the current year. Except for 1953-54, when the imports of capital goods were comparatively low, the trend in such imports has continued to be upward as against imports of consumption goods which are declining. Thus, in the years 1954-55 and 1955-56, India's capital goods imports stood at Rs. 149.21 crores and 241.23 crores and reached Rs. 174.88 crores in the first six months of 1956-57. Imports of consumption goods went down from Rs. 190.33 crores to Rs. 183.45 crores in the two full years, though they were again up, as a result of import liberalisation, at Rs. 103.31 crores in the first half of 1956-57. It is, therefore, obvious that India's needs are mainly of capital goods for the implementation of her Plans. As time passes, it is becoming more and more clear that the country will have to depend largely on American capital goods. For one thing, the other potential suppliers in Western Europe, particularly West Germany, cannot be completely looked upon to match the supplies with India's ever-expanding needs. The stresses and strains of politics are likely, in the long term, to engage West Germany in shouldering heavier military responsibilities of the NATO as evidenced by the latest agreement on these commitments with UK, which may affect her payments position and also the output of her capital goods manufacturing industries. For another, since India cannot be expected to pay immediately for all her imports, she will need supplies on long-term credit. Here, again, advantage lies on the side of the United States, with her abundant supplies of capital at comparatively lower rates of interest.

Trade trends in India in recent months, for which figures are available, show that the high levels of development expenditure in the public sector and of investment in the private sector, coupled with a progressive liberalisation of import restrictions in conformity with the needs of development, have accounted for some increase in imports. For instance, during the six months April to September, 1956, imports from the United States into India were worth Rs. 45 crores as against Rs. 44 crores worth of exports. For the corresponding period in 1955, the position was somewhat different; the balance was favourable to India with her exports of Rs. 45 crores and imports of Rs. 42 crores. The unfavourable trend, as revealed in the 1956 figures, is no cause for concern. This is to be expected and is consistent with the country's development programme. For a developing economy, engaged in raising the industrial potential, balance of payments deficits are inevitable and, in fact, are indicative of growth.

To say this is not to suggest any complacency. India's endeavour should be, as far as possible, to increase her exports so that the swing to deficits is not so large as greatly to strain her meagre foreign exchange resources. America's intake of Indian jute goods, tea, mica, manganese ore, etc., forms a considerable percentage in her total imports of these commodities. But with her expanding economy, it is not entirely unlikely that such exports from India may be boosted further. Another item in which possibilities of increased exports to the US exists is handloom fabrics which happens to be on the list of favoured production items. A Handloom Survey Team for Export to America has reached the conclusion, after an intensive tour of the country recently, that India has a large potential market for handloom fabrics for export. The sales potential in the United States of this type of goods depends on the extent that improvement in quality and standardisation required for the American market is achieved. There can be no doubt that the present exchange of information will help in a better understanding of each other's needs.

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Economic Report from the U. S.

THE STOCK MARKET

(By GUY SIMS FITCH)

NEW YORK, Feb. 26.—The United States economy—and for that matter the public at large—is taking the current stock market decline in stride. The prevailing view among financial analysis seems to be that the upward push of the past two years, which brought stock prices to four times the 1946 level, was subject to some adjustment sooner or later. And even with market quotations slipping, Americans are keeping their eyes on the bright promise of the future.

Symptomatic is an exhibit opened here this week by the New York Stock Exchange. Its aptly named theme is "own your share in American business." It emphasizes the need for more investment capital, shows how stocks can be bought by the public, and explains the workings of the monthly investment plan, that recent innovation whereby a person can become a part owner of American industry by putting up as little as $10 a month. Also on display are such things as a model of an undersea farm, which one day may help meet the food needs of an expanding population; of an earth satellite that soon will be circling the globe; of a solar battery that converts sunlight into electricity; of an atomic energy plant to turn the wheels of industry.

It will take capital investment on an unprecedented scale to bring this world of tomorrow to reality. And that is where the stock exchanges enter the picture—not so much as forums for financial trading, but as centres for investment. Purchase of corporate securities helped finance the United States remarkable economic growth of the past decade. Not only the "market," but wages, employment, production—indeed, everything that goes into economic activity—rose to record highs. What have been the outstanding characteristics of the market's past 10 years? First and foremost has been the broadening of its base. There are more stockholders now than ever before—nearly 9 million of them. And there are more of them in the low and medium income groups. In addition, there has been a rapid growth of so-called institutional investment: by private pension funds, investment groups, insurance companies.

About the only element that has not set a new record—and happily is not likely to—is the total of stock market credit, a prime factor in earlier financial slumps. By Government regulation, most stock trading today is on a cash basis, thereby insulting the market against any precipitous breaks. Now financial analysis are looking forward to another big decade for capital investment, regardless of any temporary fluctuations in stock prices. The prevailing view is that the next 10 years will see the gross national product—the nation's total output of goods and services—climbing some $200,000 million to the $600,000 million mark. This would call for an estimated $375,000 million in new capital. Of this amount, according to most experts, some $60,000 million would have to come from new equity financing—an annual investment rate nearly triple last year's $2,300 million.

Institutions are expected to provide about half of the new equity capital. The rest would come from individual investors, whose number is seen rising to 12.5 million. This further broadening of corporate ownership, say some experts may well be accompanied by increasing public influence on managerial decisions. As the present stock exchange exhibit demonstrates, much is being done to educate the American public on its growing investment role. The American investor thus is fast becoming the best informed ever, one capable of meeting intelligently the challenges and opportunities of the future. And chances are that 10 years from now, as today, the experts will be probing the growth potentialities of the decade ahead.



BUSINESS NOTES

A REALISTIC POLICY FOR COAL

THE ORIGINAL dynamism in the policy for the coal industry in the current Plan seems to have come to a pause. Events since May last when the second Five-Year Plan was approved by Parliament show that Government is not clear in its mind as to the exact course which its policy should take. The target of 60 million tons of output, implying an increase of 22 million tons during the period of the current Plan, is not ambitious in the light of the scale on which development of industry is contemplated. Having fixed this target, the immediate logical step was to come to definite decisions on raising resources for the development of this order. Tentatively, incomplete provision has been made for the public sector which has been assigned the target of producing 12 million tons of additional coal. But in respect of the private sector which has to produce the extra 10 million tons, Government is hesitating to take a firm course of action.

This vacillation cannot be allowed to persist for long because the first year of the Plan is already drawing to a close. Mr. R. Maulik, Chairman of the Indian Mining Association, has explained that the private sector of the industry is prepared to fulfil not only its own allotted share of the additional output but the entire extra quantity of 22 million tons. In fact the blue-prints which private enterprise has submitted to the Production Ministry make provision for increased output of 30 million tons. The condition which it has laid down for the expansion programme is unexceptionable. It is that the industry must be enabled to raise internal resources to finance the programme. When the rate of expansion far outpaces the normal rate of the growth of industry's internal resources and external finance is not fully available, it is plain logic that resources must be raised by levying a development surcharge on the selling price. This policy is already being followed in regard to steel and cement. It is time that some realism was brought to bear on the policy for coal. The Chairman has stated in unambiguous words that the additional price, or the element of development in it, may be earmarked expressely for the purpose of expansion. A more categorical assurance can be hardly expected. The inevitable effect of any further hesitation in facing the situation will be a shortfall in the target.

A shortfall in the target of the private sector will be a matter of serious consequence. At the present time the private sector accounts for more than three-fourths of the total production. At the end of the Plan, in spite of forced expansion of the public sector, it will produce two-thirds of the output. It has delivered the goods and there can be no doubt that, given the required resources, it will deliver them in the future also. Its blue-prints for development schemes are pending before the Production Ministry for a year now and only the first sanctions are coming forth. No comment seems necessary on this delay. Firm decisions for this industry involve considerable technical knowledge and inside experience. It is amazing, therefore, that the public sector which is virtually a novice in this sphere has been granted representation on the Coal Board while the private sector is denied a place in it. This discrimination is inconsistent with joint participation in a bold venture and may result in neglect of the excluded partner. The two merge finally in the national sector. Realism demands that the resources of both should be drawn upon at all levels.

NEW AGREEMENT FOR HINDUSTAN MACHINE TOOLS

WITH THE signing of a new agreement between the Government of India and the Swiss firm of Oerlikon Machine Tool Works, the Hindustan Machine Tool Factory enters a new phase of working. The agreement, which supersedes the first one entered into eight years back, provides for the termination of the financial partnership of the Swiss firm in the company. The firm's holding of Rs. 30 lakhs worth of shares, in a total issued capital of Rs. 4 crores, will be transferred to the H.M.T.F. against value and interest to be paid by the Government of India. Among other stipulations, Oerlikons will surrender the right to the 5 per cent free shares, transfer the licence and authority of the manufacture of machine tools to the H.M.T.F. as well as the right to sell such machinery in Burma, Ceylon and Pakistan in addition to India, for a total consideration of Rs. 25 lakhs. Provision has been made for technical collaboration in the manufacture of or research into machine tools of the required specifications, which can, however, be terminated at six months' notice on either side.

It will be remembered that there was a considerable time lag between the launching of the project and its coming into actual production. The delay was the result, first, of the Government's failure to obtain sanction, from the proper authorities, for over a year and a half after the signing of the agreement. Later, it took the foreign firm nearly a year to decide on the type of the lathes to be manufactured by the factory initially, during which design changes were either made or given up after trials. This shows a lack of foresight and proper planning on the part of Oerlikons which are always vital for the efficient execution of any plan. Consequently, the H.M.T.F. was involved in monetary loss. Various other criticisms have been levelled against the factory touching upon the rationalisation and streamlining of the requirements of the country in the various types of machine tools. The entire subject has been dealt with by the Estimates Committee in one of its reports. A new chapter, however, begins now. There are also reassuring indications that the spheres of production of specific types of tools will be earmarked for the public and private sectors with the objects of obviating any possibility of overlapping.

REVISED TARGET FOR CEMENT

ACCORDING TO a recent report, it is stated that the Government of India are likely to revise the plan target for cement. Production of cement was about 2.7 million tons in 1950-51 and the capacity of the industry was 3.3 million tons. But last year, it rose to about 5 million tons and it is expected that an annual rated capacity of seven million tons may be reached this year. In view of the rising demand for cement necessitated by the various schemes of development like the river valley projects, construction and expansion of ports, air fields, roads, factories and housing, the Planning Commission has raised the target to 16 million ton by 1960-61. Even this target is likely to be surpassed and a revised target of a capacity of 20 million tons seems to be now under active consideration.

The bulk of cement manufacture in the country is in the private sector and production has to be increased by expanding the several existing factories as well as by starting new ones. There are now 28 units in the country and necessary steps have to be taken not only for an extensive expansion of these but to continue to work them to full capacity. It is stated that Government has already approved schemes for the establishment of 31 new factories taking into consideration the question of regional distribution. The cement industry has, however, to face a number of problems, the chief ones being adequacy of transport and the supply of raw materials like limestone and gypsum.

Good deposits of limestone occur only in a few concentrated places. As for gypsum, because of their demand by the fertiliser factories, there is likely to be a shortage. Yet another problem is the raising of additional capital for expansion of capacity and it is difficult to gauge what the effects will be on capital formation by the recent taxation measures. Finally there is the problem of importing capital equipment because the country is not in a position to meet the need for machinery required for large-scale expansion. Here one may come across the foreign exchange difficulty. The cement industry however, is in a relatively better position as regards procuring machinery and equipment which is being manufactured in India on a progressively increasing scale. All these pose a great challenge to the industry and it is for Government to make the necessary concessions in various directions for the industry to realise the target.

CENSUS OF INDIAN MANUFACTURES

THE EIGHTH Census of Indian Manufactures for 1953 is now ready. Only some of the broad features of progress can be touched here. The summary discloses an increase in the number of registered factories in the country from 6,758 in 1949 to 7,140 in 1953. During the same period, the productive capital investment in these factories including the fixed and working capital, increased to over Rs. 726.65 crores from about Rs. 509.58 crores. The Report says that the gross ex-factory output was valued at over Rs. 1,112.67 crores in 1953 as compared with about Rs. 969.37 crores in 1949. There had been, however, a decline in the number of workers and supervisory personnel. Their total number was about 11.28 lakhs in 1953 as against 16.85 lakhs in 1949.

The industries covered by the Census are cotton, woollen and jute textiles, chemicals, iron and steel, aluminium, copper, and brass, genreal and electrical engineering, cement, glassware, ceramics, plywood and tea chests, paper and paper boards, matches, soaps, bicycles, sewing machines, electric lamps and fans, paints and varnishes, distilleries, starch, vegetable oils, sugar, fruit and vegetable processing, biscuit-making, rice milling and wheat flour. This is a fairly representative coverage.

The Census did not cover Jammu and Kashmir and the former States of Madhya Bharat, Hyderabad, Mysore, Travancore-Cochin, Bhopal, Bilaspur, Manipur, Tripura and the Andaman and Nicobar Islands. For the purposes of the Census, only registered factories which used power and employed 20 or more persons per day were taken into account.

As usual, valuable statistical information is contained in the census about the factories in various industries, their capital, employment and output. For each industry there is a chapter in which details about the number of factories, distribution of ownership and gross receipts, consumption and buy-products, salaries and other benefits to employees are given. The full report should provide a wealth of statistical information of great value.

ROLE OF COMMERCE BODIES

CHAMBERS OF commerce and trade bodies have been rendering yeoman service to the economic development of the country. Even during British rule, commerce and industry made good progress as a result of the services of these bodies. Government not only held their views in high esteem but also modified their policies as far as possible to the requirements of trade and industry. But today, the trend seems to have been reversed. Policies are framed not only without any regard to the pronouncements of these bodies, but also in a way that affect the interests of the business community. This is precisely what Mr. D. N. Hosali, the out-going President of the Mysore Chamber of Commerce underlined in his refreshing address at Bangalore recently.

Discussing the merits and demerits of the two important economic systems—capitalism and socialism—Mr. Hosali pointed out that capitalism, as it has shaped during the past 25 years, is decidedly a better method of economic development. Ever since the publication of Lord Keynes' epoch-making book—the General Theory of Employment, Interest and Money—which was a repudiation of 'laissez faire' economics, capitalism has undergone a tremendous transformation. Lord Keynes has shown that it is possible for a Government to achieve the goal of full employment and the maximum utilisation of resources while preserving the private sector. Speaking about socialism, Mr. Hosali said that socialism in practice had not fulfilled its promise of bringing about equality. The same degree of inequality existed both in socialist societies and capitalist societies. Referring to the application of socialism to underdeveloped countries in general and India in particular, Mr. Hosali declared that "Socialism in India now is putting the cart before the horse. It is distributing poverty and obstructing development and worst of all it is putting into power a vast and irresponsible bureaucracy which will make either political or economic democracy impossible". Endorsing the opinion of the classical economists, he said that backward economies should be built up by free enterprise to the point where they could begin thinking about a different system.

HIGH-TENSION INSULATOR FACTORY

THE FIRST high-tension insulator factory, undoubtedly a major project, was switched into action the other day in Bangalore by Prime Minister Mr. Nehru. This project with an estimated cost of Rs. 85 lakhs and capacity to manufacture 2,500 tons of insulators annually has been undertaken by the Mysore Government with the technical collaboration of the reputed Japanese firm of Nippon Gaishi Kaisha Ltd. To start with, it will manufacture 40 to 50 tons per month and production will be stepped up to 2,500 tons in another two years' time to meet a major portion of the country's requirements. Ball clay raw material required for this industry, it is reported, would be available with the recent discovery of good plastic layer at Neiveli.

While inaugurating the factory, Mr. Nehru dwelt upon the role of small-scale and large-scale industries. He emphasized that there could be no conflict between small-scale and large-scale industries and since both had the common object of raising the standard of living of the common man, a proper balance between the two should be struck and maintained. No one denies that whereas heavy industries were necessary for the preservation of India's freedom, small-scale and household industries were important if the life of the rural population was to be improved. The only thing to guard against is the excessive enthusiasm of developing small-scale industries without modernising and rationalising their production techniques. No small-scale industry can develop dynamism unless it assimilates new technological advances.

The enterprise is the result of Indo-Japanese co-operation and it is hoped that it would give impetus to many more colloborated projects participated by the two countries. With the opening of the project, a significant advance has been made to attain self-sufficiency in high tension insulators. It is expected to meet the requirements of the several electrification schemes undertaken in the scond Five-Year Plan.

Company Meeting

Speech by

Shri R. MAULIK

Chairman

INDIAN MINING ASSOCIATION

At the Annual General Meeting on 1st March, 1957 at 11 A.M.

at the

BENGAL CHAMBER OF COMMERCE AND INDUSTRY

Gentlemen.

As we meet here today, votes are being cast throughout the country to elect the Government representing the people's choice. There is none among us who is in doubt as to the results; we can confidently count upon a political stability in India which few other nations in the world could claim for themselves. We can realise how fortunate we are in this respect only if we recognise how ambitiously we have charted out economic targets for achievement. Economic progress cannot be attained without the prior condition of political stability. What is even more important, individual advancement, whether morally or materially, is best—and perhaps only—served by a democratically elected Government. For this reason, we must make allowance for the fact that, in recent months, the second Plan endeavours at Government level should have been obscured by the election campaign. In the result, however, we have had the regrettable consequence that valuable time, which could profitably have been utilised in furthering the second Plan, has been lost. If we are to make sure that the second Plan is to be fully implemented, the primary responsibility for under-writing its success will devolve upon all of us who are gathered. Coal is the very basis for development, it is coal which has to feed and fire industries as they develope in this country. In terms of the second Plan, we have been called upon to increase production from 38 million tons to 60 million tons. Of the anticipated increase in production of 22 million tons, 10 million tons must come from the private sector in coal.

There are few of us here who would think that such a target is not within the ability of the industry. I venture to suggest that, provided we are permitted to do so and so long as there is sufficient inducement and incentive, it is within the capacity of the private sector in coal to deliver the full 22 million tons of additional production. Unfortunately, this past year has, for a number of reasons not witnessed any substantial progress in respect of the coal plan.

I shall not at this stage refer to the increase in costs arising from the Tribunal's Award last May; nor I think, is it germane to the issue for me to point out that the Appellate Tribunal's findings have further increased the costs of production for the coal industry. For, the simple fact of the matter is that we must be prepared, as we have experienced in these past few years, for steadily mounting costs of production. But what I think it is my duty as Chairman of your Association is emphatically to draw attention to the need for Government realistically to revise their coal selling price policy.

It has happened that we in the coal industry nave been called upon to bear steadily increasing operational costs; this, we could have done without difficulty except for the fact that our representations to Government as regards coal selling prices have not had the desired results. Now, let me pose the question: what is the basis on which, in the case of a controlled industry, Government should determine the selling price? The first consideration is, perhaps, one of ensuring that in the light of India's objective of a socialistic pattern of society, the return to the industry is reasonable and just—and not extortionate. In the second place, as affecting a vital consumer product, there will doubtless be solicitude for keeping in check as far as practicable any increase in the price. I need, however, to point out that price policy has to be attuned to a third consideration which, in the circumstances of India's ambitious planning policy, has been rendered the most basically important. I refer to the inter-connection between the selling price for a commodity and the development of that industry. In this context, I may point out that Government are alive to this new and basic concept of a link between development endeavours and selling prices. There are two other Industries wherein selling prices are determined by Government on this basis. These are steel and cement. In both, Government have accepted the proposition that, in the price paid to the industry for its products, there should be a special element which is intended to contribute to the industry's internal resources with which and on which it could proceed with development plans. It may be noted that steel, cement and coal form the triumvirate of the fundamental raw materials on which alone a country can plan ambitiously for industrial development. In regard both to cement and steel, not only the decisions but the policy as it has evolved has been such as to suggest, if not altogether ensure, that the targets of production will be attained.

In coal, it is a different story, it is a somewhat dismal story. While the general index of wholesale prices has risen from 297 in 1947 to 427 in February 1957, the rise in the price of coal has merely been of the order of 15 to 16 per cent. The additional costs that, therefore, the coal industry has had to shoulder, over and above the labour cost arising from the Tribunal Awards include the higher prices of machinery and stores as well. It is no secret that the resulting higher costs were, on the basis of the selling prices, wholly beyond the ability of the industry to afford. Nor could there possibly be any margin by way of unappropriated profits which could be ploughed back for purposes of development. It has been and is our painful duty to draw the attention of Government to this vital fact. Especially in these days when money is so tight, capital for expansion has largely to be found

in the internal resources of a company. And this brings me to another basic fact.

The Finance Minister, Shri T. T. Krishnamachari, has proposed that a moiety of the reserves of a company should be deposited with Government. His intention is to ensure that there is no dissipation of unappropriated profits; the intention may also be that these should be canalised into productive endeavours in the national interest. I agree that all available money should be pressed into service on behalf of the second Plan. But, of course, we need to make it clear that, in the case of companies where the reserves on the liabilities side of the Balance Sheet are matched by money ploughed back into the business appearing on the assets side whether in the form of additions to block or as increased working capital the past reserves will not attract the new statutory requirement. In the case of the coal industry, the financing of development in the past has almost exclusively been done by utilisation of profits ploughed back. That is to say, in the coal industry, the resreves represent moneys which have long since been transformed into expanded block or which are being used to finance output. We of this industry would, therefore, welcome a categorical assurance that, in cases where reserves have clearly been utilised in or been set apart for development work, the new deposit regulations will not be enforced.

Now if I may, I should like to revert to this all important question of selling price policy. We in this industry only ask that the basic criterion for determining such prices, as it already exists in steel and cement, should also be extended to coal. As I have already stated, capital is hard to come by in these difficult tight money days. The bulk of the financial requirements for expansion and development has necessarily to be found in the internal resources of the industry. Such internal reserves can only be built up by the provision of a special element in the selling price which in the customery way, could expressly be set apart for such purpose. Moreover, in these days, when the increase in prices for a wide range of commodities has been sharp, is coal to be the only industry which is to have status quo prices?

Let it also be recognised that Government do not believe, nor will they find an answer to, inflation by merely keeping coal prices in check. On the contrary, such an intention on the part of the Government will, as I shall presently show, be self-defeating. The inevitable consequences of a selling price which makes no allowance for the demand of development, will be to retard development. In other words, the inevitable consequence is that coal production will not go up to the extent and at the rate envisaged by the second Plan. I need hardly say that, in the result a vital raw material will be in short supply. Need I add that, thereafter, inflationary conditions will be fostered in every industry that, for lack of coal, is unable to attain targets of production?

I trust that I have not altogether failed in the task that I have set out for myself. That task is to inform Authority, with all the emphasis that this Association has at its command, that Government's selling price policy must immediately and without delay take note of the basic consideration that the margin available to the producer must be sufficient and adequate to finance the 16 million tons of additional coal production that we, as an industry, are expected to achieve by the end of 1960-61.

It is, I am sure, not out of place for me here to stress that the selling price for coal, in so far as it affects the return to the investor and therefore to the producer, has to take account of the very nature of coal mining—the fact that it is a wasting asset. I can in this context do no better than to quote from an eminent authority, who defines the principle of depleting reserves in the following words:

> "Most industries and enterprises have an intermediate life apparently perpetual and therefore are not called upon to replace the original investment. This does not mean that such industries (railroads, utilities, manufacturing, wholesale and retail houses etc.) will continue for ever; it means merely that, except for competition, nothing is apparent which will cause a termination. Mining, however, differs from an ordinary industry in this respect; when the ore bodies are mined out, there is nothing left. The original capital investment must, therefore, be returned to the investor by the time that the profitable life of the enterprise is ended. When the operating company does not make any provision for perpetuating its life by investing a portion of its earnings in other properties, the usual procedure is to remit periodically to the investor a dividend sufficiently larger than the risk return on his investment to enable him, if he re-invests this overplus at a safe rate compound interest, to replace his original capital at the expiration of the life of the mines. This overplus constitutes a return on the invested capital."

The second duty that I have is to express this industry's view that Government should, in the national interest, pay to the coal industry the attention that it deserves. As at present constituted, we have in Delhi a Ministry to look after coal which is being overburdened with work. On the one hand, the Minister for Production, Shri K. C. Reddy, who is also the Chairman of the National Coal Development Corporation Ltd., is expected to draw up, approve and implement the series of plans and projects which will increase production of coal in the public sector by 12 million tons. On the other hand, it also devolves upon Shri Reddy to examine, scrutinise and sanction the schemes for development in the private sector of coal production. These are responsibilities which one Ministry and one Minister cannot alone shoulder. This is patently clear, if we look at the events of the last year as affecting coal. The Ministry has been hard put to it to register the necessary progress in the State projects. But, preoccupied as the Ministry has been with this work, it has also happened that there has been untoward delay in the disposal of the matters relating to the private sector in coal. The fact is, that it is nearly a year since plans and blue prints were submitted to the Ministry for the expansion in production to the tune of 30 million tons. Naturally, the private sector in coal has sought to make available production in advance of the country's expanding demand. But the fact is, that nearly a year has elapsed before the first sanctions are being received for proceeding with development work. The division of responsibility at the Government level as between private and public sectors will do incalculable good. In the first place, it would free the existing Ministry to give their undivided time and energy to the furtherance of the State projects. In the second place, a proposed new Ministry for coal in the private sector and for the overall policy as we have suggested would enable development in the private sector to proceed at a brisk pace .

I should make another point clear; and that is, that coal cannot properly be thought of as belonging to the private sector or to the public sector. It is a national asset which the country as a whole has to work with all available means and at optimum efficiency. There is no room for, and no need for, controversy as to targets of production that ought to be set for either sector. What matters is total production. If the one

sector, due to unavoidable reasons, is unable to achieve targets, it is the duty of the other to make good any shortfall in production. For our part the Indian Mining Association is determined that the second Plan should not fail because coal production has not achieved the target set. This determination on the part of the private sector as a whole is evidenced in the fact that the plans submitted to Government for expansion involve a total of not 10 million tons as allotted under the Plan, but 30 million tons. The coal industry will pledge itself to the proposition that neither doctrinaire politics nor ideological dogmatism will be permitted to prevent the coal production target from being attained. In the notion that, in India's mixed economy, there is to be co-operative co-existence as between Government endeavours, on the one hand, and efforts by the private sector on the other, the Indian Mining Association assures the country that every effort will be made not only to attain but to exceed targets.

While expressing the confidence that there appears to be the possibility of better appreciation of our difficulties and earlier solution of our problems, if the Planning Commission's greater interest and Shri K. C. Neogy's recent visit to the coalfields are taken to be suggestive, it is necessary for me in some detail to describe the events of the past year as affecting the Mining Industry.

Recent history in the matter of coal prices proves to be extremely interesting. In July 1947, a rise in coal prices was permitted so that the wage increase of workers could be met; but, barely 2½ years later, in November 1949, coal prices were revised slightly downward. Since then, although the cost of production has steadily been mounting, there has scarcely been any compensatory revision of prices. The only increase allowed was during 1956; and this was intended partially to meet the additional labour costs arising from the Award of the All-India Industrial Tribunal (Colliery Disputes) in May 1956. It is important to recognise that the sole instance of a price increase being granted was not for affording any increased margin to the industry but only so that the industry could be compensated for the enhanced wages of labour; in fact, it was pointed out at the time that the rise of Rs. 3 allowed was insufficient to cover the additional financial burden which the industry, by terms of the Award, had to bear.

Besides the higher cost of labour, prices of other essential equipment and stores have also risen substantially since 1947. Steel today costs 130 per cent more than it used to in 1947; one has to pay 50 per cent more for cement as compared to the price a decade ago.

The prices of coal, however, continue to remain at an uneconomic level. Surely these prices can bear to be upgraded a trifle. They would even then be the lowest in the world. The cost of coal expressed as a ratio of the gross ex-factory value of various products and bye-products is, on average, 1.96 per cent; in the case of other fuels and electricity, the relevant ratio is 3.45 per cent. Coal and coke work out to 11.25 per cent of the cost of steel as against 12.70 per cent in the case of other fuels. The apposite figure in the case of cement is 14.22 per cent for coal and 18.28 per cent for other fuels. Another pointer to the inexpensiveness of Indian coal is brought out in the fact that the cost element of coal in UK-produced steel is 40 per cent as against 11.25 per cent in India; for cement, coal works out to 30 per cent in the UK as contrasted with 14.32 per cent in India. I trust that the conclusion is clear that whether on the basis of world prices or whether on the basis of the cost of coal as compared to other fuels, the nation should comfortably be able to take in its stride some increase in the coal selling price.

I should now like to describe at some length the labour position. You are aware that, as a result of agitation by Trade Union leaders in the coal fields, a special tribunal was appointed by Government in February 1954 to go into the matter of wages and amenities of colliery workers.

One year later, the Tribunal was reconstituted and the proceedings started anew. The award of this tribunal was published on 26th May, 1956 and became effective from that date. The Association in consultation with other producer organisations, decided not to appeal against the Award. This, however, did not mean that we agreed with all the findings of the Award.

Certainly, we did not agree that the minimum wage should be Rs. 69-1-0 inclusive of bonus for the unskilled surface worker. Besides, there were some anomalies to be noticed in the Award; but, taking into consideration the prevailing circumstances and mainly as a gesture of goodwill to the workers—who had been engaged in litigation for over two years—the decision was taken not to prefer an appeal. Furthermore, the Association of its own accord rectified some of the anomalies which existed in the Award. Workers were evidently satisfied with the new dispensation. Nevertheless, some of the minor trade unions appealed; and, at later stages, all the trade union organisations participated in the proceedings of the appeal and in attacking the lower tribunal's Award. Ultimately, the employers found that, in spite of their efforts, they could not avoid litigation. It may be noted that they were placed in a position of considerable disadvantage because, in extending their gesture of goodwill, they had implemented the lower tribunal's Award.

The decision of the Appellate Tribunal was announced on 29th January, 1957. The wages of workers were further increased; and other major modifications of far reaching consequence were made. The decision, moreover, has been given with retrospective effect from the date of the original Award; and, in the result, the industry is immediately burdened with the awesome liability of over Rs. 4.25 crores. Where this money is to come from, the industry does not know. In fact, the retrospective aspect of the decision strikes at the very root of the industry. Undoubtedly, it will have serious repercussions on the progress of the development plans now in hand.

Wages have been substantially increased; other facilities and amenities have been granted on a very liberal scale. Obviously, these must and will be reflected fully in the price of coal since as much as 76 per cent of the production cost is accounted for by labour charges. Unfortunately, the rise in the level of wages for labour and an improvement in working conditions have not been accompanied by a better showing in productivity figures.

Perhaps, it would be wise on our part to remember that productivity will not increase and the standard of living of colliery workers will not improve unless steps are taken to educate the workers that they themselves must make an effort at improving their living conditions. In this regard, the trade union organisations have done nothing in the diffusion of such education and whatever has been done by the Coal Mines Welfare Organisation has failed to elicit the desired results.

This lack of improvement in productivity, however, does not deter the constant agitation for wage increases. At its last annual conference, the INTUC has put forward a demand for a blanket increase of 30 per cent in wages for the workers of major industries; and, if the decision in regard to the justifiability or otherwise of such demand depends upon the discretion of outside

bodies, prices of coal are bound to rise since the producers will have little to say in the matter. It is strange that the employer should have the dubious distinction of having a say neither in the wage increase to labour nor in the selling prices of his product. As far as the consumers are concerned, they need to appreciate that they cannot hope to continue to get coal at the present low prices. On the one hand, some benefit might accrue to the consumers when, in due course, productivity in the industry improves. On the other hand, however, there has to be dissemination of information as to the efficient use of coal and prevention of waste. Secondly, in so far as the workers are concerned, we must note with regret that the coal industry continues to be affected by the power politics of rival groups of trade union leaders. That the workers are mere pawns in the political game of the leaders has been amply demonstrated by the illegal, unjustified and unwarranted strike made last year in the West Bengal coalfields. It may be recalled that two of the largest groups of employers were affected; and the consequent loss in output amounted to 3 lakh tons. The Association places on record its appreciation of the action taken by the employers concerned in holding out against the strike threat; in the alternative, if the unreasonable demands had been met due to pressure, the coal industry would have been thrown into chaos.

Great stress is being laid these days on more rigorous safety measures. The Mines Act and the Coal Mines Regulations are in the process of being amended. The provisions are most drastic; and as was pointed out at the Fifth Session of the Industrial Committee on Coal Mining held last year, considerable modification of the draft provisions is called for. What is required is advice as to the manner whereby safety measures can be improved—not rigid enforcement of drastic rules. Furthermore, if the mine manager is held personally responsible for every act of omission or commission in the mine, it will be impossible for him to function. He will always be in a state of uncertainty and apprehension; and this will affect the overall supervision of the mine and hamper his initiative as principal person responsible for the production of coal. We have also to realise what the regulations, if they become enforceable as envisaged by Government, will mean to the Industry. In monetary terms, we shall have to incur immediate expenditure to the tune of several crores of rupees; of this, I understand about two crores of rupees will be in the form of foreign exchange. There is no doubt that the Labour Ministry should take all possible precautions for the safety of workers in the mines; but there should be the realisation that in view of the very nature of mining operations, it is impossible to have 100 per cent safety—which is what appears to be aimed at. Cent per cent safety can be vouchsafed only if no mining operations take place at all. I would suggest that all concerned in this connection give this matter their serious thought so that a satisfactory solution can be reached. While on the subject of safety, I would point out that the overlapping jurisdiction of the Coal Board under the Production Ministry and the Mines Inspectorate under the Labour Ministry is likely to hamper production.

The transport position has continued to improve but, as has been always the case in the Coal Industry, wagon supply is still not sufficient to meet the demand of the coal consumers. Considering the condition of the Railways during and after World War II and also the post-Partition period, our Railways are to be congratulated on their achievement. The fact, however, remains that rail transport will be the limiting factor to all industrial production in the second Five-Year Plan. This is especially applicable to the Coal Industry. The daily requirements of wagons of the Coal Industry during the second Plan period are as follows: for 1957-58, 4,860 wagons; 1958-59, 6,519 wagons; 1959-60, 6,481 wagons; 1960-61, 6,304 wagons.

Out of these, the daily requirements of West Bengal and Bihar will be 3,778 wagons; 4,603 wagons; 4,810 wagons; and 5,016 wagons respectively. The present guaranteed supply of wagons for the West Bengal and Bihar coalfields is 3,500 wagons a day, of which 950 wagons are from the South Eastern Railway. The actual demand for the current year is 3,778 wagons a day. The daily requirement of the consumer is, therefore, not met to the extent of about 278 wagons. At the same time the requirements of the Railways themselves have also increased. Therefore, although the daily supply of wagons has improved, there is a shortfall in the minimum requirements in comparison to the total demand of the country as a whole; consequently, a general overall shortage of coal supply, particularly domestic fuel, continues to be experienced. It is essential, therefore, that immediate steps should be taken to increase the minimum guaranteed supply of wagons during the current year with a view to reaching the target of 3,778 wagons. From the general trend of discussions in the Coal Transport Advisory Committee, it appears that little improvement can be expected over the South Eastern Railway for the next few years. Thus, the Collieries in West Bengal and Bihar, who are served by the South Eastern Railway, will be handicapped so far as increased output is concerned. I would like to suggest that, since the Railways are anxious to improve the wagon position, it may be of advantage to hand over the control of that portion of the South Eastern Railway which serves the West Bengal and Bihar coalfields to the Eastern Railway. One of the essential pre-requisites in order to reach the target of increased production and expansion envisaged during the current Plan period is an increase in siding facilities and relaxation of indent limitation. The Industry has been drawng the attention of all the authorities concerned to this matter; and we trust that we can count upon the co-operation of the Railways in this regard.

The scope of Government control over the Coal Industry is incredibly sweeping. Production, selling prices, distribution, method of mining, workers' wages and workers' amenities—practically all aspects of normal business are controlled. The Ministry through which the Industry is controlled is mainly the Ministry of Production. The system of controls has been in force for the last decade and a half. In my opinion, it is totally outmoded. The system of controls should be thoroughly reviewed by a committee on which the coal producers should be adequately represented. Such a revision and reorientation of policy are, in the light of the present trend of events and the need for a quick increase in output, surely imperative.

The Coal Board, which was formed in 1952 under the Coal Mines Conservation and Safety Act, has been unable to do much besides pegging the output of coking coal. The policy of the Coal Board has till recently been incongruous; while what is required is increased production of coal, the Board's policy seemed to be to obstruct it, with its restrictive policy. I am, however, glad to say that the Board lately seems to have altered this policy and is realising the urgency of coal development.

I may now refer to developments in sand stowing. We have now reached such a pass that it is doubtful whether sufficient sand will be available for carrying out stowing in the Jharia coalfields. As early as 1953, Shri Michelmore in addressing you from this Chair had reached this conclusion:

"I feel I must raise once again the doubt which has long been in my mind whether adequate supplies of sand will continue to be available after the completion of the Damodar Valley Corporation."

He expressed grave doubts as to the future availability of sand and requested that this problem should engage the serious attention of Government. It was only less than a year ago when a Committee was appointed to go into the matter of the availability of sand, and we still await information as regards the Committee's findings.

This Association, along with other coal producers' organisations, have been repeatedly requesting Government for granting adequate representation of the private sector on the Coal Board. Unfortunately, however, this request has not yet been acted upon by Government. The present constitution of the Coal Board is practically departmental except for the Chief Inspector of Mines and Chief Mining Engineer of the National Coal Development Corporation. It is a matter of regret that, while the public sector has been given representation on the Coal Board,—and there is always the danger of its playing a dominant role in the deliberations—the private sector, which is responsible for 75 per cent of the output of coal in the country, is denied the legitimate right of voicing its opinion in the deliberations of the Coal Board. It is essential that the Coal Board should be reconstituted on a broader basis and include the representatives of the private sector. The present position amounts to discrimination on the part of the Production Ministry in favour of the public sector. There is always the danger that the interest of the private sector may be neglected. Moreover, since the Production Ministry seems to depend completely on the advice of technical experts drawn from the public sector, it would not be an unjustified apprehension that the problem of the private sector will not get due emphasis and consideration in discussions with foreign experts or in shaping the overall policy.

The policy of import licences so far as mining equipment is concerned will have to be considerably relaxed because the Coal Industry has been called upon to produce 22 million tons more in the next four years and this can be only achieved by large-scale utilisation of machinery.

Gentlemen, I would assure all concerned that my criticisms are not prompted by any factious spirit but offered with the best of intentions. I would emphatically state that if the above difficulties are not remedied increased coal production targets will not be attainable. Moreover, it is already time that we in this industry should start thinking in terms of the third Plan, and the target to be achieved by 1965. For, current thoughts indicate that the country will need 120 million tons by the end of the third quinquennium. A doubling of production in such manner will necessitate much effort —and, what is more important, preparations being made well ahead. Is it, therefore, too much to ask of Government, in the interest of the second no less than the third Plan, that their policy needs to be reorientated in order that development work is not unduly postponed

I would be failing in my duty if I do not offer our thanks both on my personal behalf and on behalf of your Association to our Coal Controller, Shri P. M. Nayak, who has always given us a patient and sympathetic hearing. I have no doubt that he has appreciated our problems and has done everything in his power to solve them. The recent activities of the Coal Board point in this direction.

The speech of the Chaiman of the Indian Mining Association will be incomplete unless a reference is made to mining interests other than coal. I will now refer to them.

The Mining Leases (Modification of Terms) Rules 1956 were published on the 6th September. The object of these Rules is to bring leases granted prior to the commencement of the Mines and Minerals (Regulation and Development) Act, 1948 into conformity with the Mineral Concession Rules 1949.

A Controller has now been appointed for purpose of these rules with his headquarters at Ranchi. Those with leases covering minerals other than coal, petroleum, natural gas, and minor minerals, should now have submitted their returns to the Controller. If their leases exceed 10 sq. miles in area or if they are at present enjoying a low rate of royalty, they must now be awaiting the Controller's instructions.

Probably the most controversial event of the year has been the advent of the State Trading Corporation, particularly in the way in which the activities of this Corporation have expanded, not only in size, but in the variety of goods involved, ranging from tobacco to iron ore. Originally it was believed that the Corporation would restrict its activities to countries preferring to barter or sell on a Government to Government basis, and originally iron ore only appeared to be involved. Subsequent developments have shown that there would appear to be no limit either in regard to countries, quantities or commodities. At present the Corporation appears to be concentrating mainy on iron ore exports and having granted itself one fourth of the total country's export quota, rumour has it that it contemplates controlling the entire exports of iron ore by the middle of this year. I can only say, "what next?"

On 3rd September, the Government of India reimposed an export duty on manganese ore at rates varying from Rs. 10 to Rs. 30 per ton on ore with a manganese content of over 38 per cent and with varying scales independent of the manganese content. The manganese ore market, like many minerals, fluctuates widely. Having suffered a recent slump, prices have again been good during the year and exporters have not had great reason to complain about this duty. Their next concern will be to know if Government can, as speedily, remove the duty when prices fall as they invariably will.

One unfortunate point about this duty is that the Government machinery is ill equipped to impose such a duty as the Collector of Customs has not an adequate qualified staff, nor the laboratory facilities to carry out the necessary analyses. He is also unwilling or not prepared to accept the results of qualified, world renowned analysts, but insists on independent sampling by his own organisation. To do this work efficiently his organisation would have to be capable of doing the full amount of such work now carried out by all of the local analysts. I have just heard of cases where the Customs Authorities have now informed shippers that they must pay an increased rate of duty on parcels which were shipped five months ago and which have reached their destination, via the Cape, and have probably now been used in the manufacture of steel and for all I know may be on the way to India in the form of machinery. Under the sales contracts the sellers will ask the foreign buyers to pay this additional duty —a request which cannot enhance India's reputation in the worlds' metal markets.

As in the case of coal, the severe wagon shortage has restricted the market and on some lines the volume of traffic also has been restricted by the Railways improvement and doubling programmes. Fortunately these

are temporary restrictions and we look forward to increased traffic movement in the near future.

For exports from some of the Orissa mines considerable assistance has been given by the Railway permitting BOBX Hopper type wagons being used temporarily for ore traffic. Without the use of this there would have been an even greater wagon shortage and the trade is grateful for this assistance.

It is regrettable that there must often be a sting in the tail of my remarks, but the fact is there are no weighbridges capable of weighing these large wagons and their carrying capacity appears to have been rated about 5 tons in excess of what can usually be carried.

Gentlemen, since the mining industry as a whole is faced with so many problems it is only right that all organisations should work in close co-operation. I am happy to say that during the past year we have done so and for this our thanks are due to the other organisations, especially the Indian Mining Federation and the Indian Colliery Owners' Association.

Before I conclude, gentlemen, I want to pay a tribute to the valuable assistance which has been given to me by your Committee, and, in particular, by the Vice-Chairmen, in the past year.

It is sad that during the year Shri Peary Mookerjee who was a member of your Committee passed away. He had served the Association sincerely for a number of years and he was one of its main supports. We have missed him much during the time of crises and his loss to the Association is irreparable.

I thank the members of the Standing Coalfields Committee and the Hony. Joint Secretaries, Shri W. J. Jameson and Shri W. D. Forrest. I also wish to record my deep appreciation of the services rendered by the Secretariat of the Association, the Labour Department of the Bengal Chamber of Commerce and Industry and the Secretariat of the Joint Working Committee.

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COMPANY AFFAIRS

THE ORISSA MINERALS DEVELOPMENT CO., LTD.

The profit and loss account for the half-year ended June, 1956, after providing for all charges and making provision of Rs. 1.80 lakhs for taxation and Rs. 82,805 for depreciation, shows a profit of Rs. 1,18,835. Adding the balance of Rs. 1,18,835, brought forward from the previous half-year it totals Rs. 3,36,299. From this, a total sum of Rs. 35,632 has been transferred to reserves under general, tax contingency and development rebate heads, leaving a balance of Rs. 3,00,667 available for disposal. The Directors have recommended payment of a 20 per cent dividend on the 2 lakh ordinary shares, without any deduction for income-tax payable by the Company, which absorbs Rs. 2 lakhs. The balance of Rs. 1,00,667 has been carried forward.

In the period under review, the Company's iron ore raisings have dropped to 148,538 tons from the higher figure of 191,184 tons in the preceding half-year. In despatches also, there has been a considerable fall from 214,729 tons in the previous half-year to 143,521 tons in the period under report. The decline in both raisings and despatches has been attributed to the lock-out following the strike on April 20, 1956, which continued for two months. The steel works order was maintained in the Company's books at 40,000 tons per month during the period.

In the case of manganese ore and manganese dioxide also, raisings and despatches were lower as compared to the preceding period. Manganese ore raisings were 13,525 tons compared to 29,146 tons and sales were about 50 per cent less at 14,025 tons as compared to 22,107 tons in the previous half-year. Manganese dioxide raisings at 395 tons show a sharp drop to less than half of the 800 tons previously, and sales were 1,435 tons compared to 1,711 tons of the preceding period. However, the market continued to improve inasmuch as the prices at which the various grades could be sold during the period were satisfactory. But, according to the Directors, during the first few months of the half-year, the availability of transport was far from satisfactory which was partly responsible for the less than favourable results.

The accounts do not include those of the Eastern Shipping Syndicate, which have been drawn up separately for the period ended December 1956. In accordance with the provisions of the new Companies Act, the accounts of the Company will be made annually henceforth for 12 months-ending June.

THE BURRAKUR COAL CO., LTD.

The accounts, which are drawn up for the half-year ended June last year, show a profit of Rs. 4,23,331 after providing for all charges as well as Rs. 3,20,278 and Rs. 4,93,978 for taxation and depreciation respectively. Adding to the profits Rs. 1,15,376, brought forward from the previous half-year, it amounts to Rs. 5,38,757. From this amount, Rs. 1.28 lakhs has to be deducted, which has been transferred to tax contingency, development rebate and debenture redemption reserves. The balance of Rs. 4,10,757 has been proposed by the Directors to be disposed of by paying dividends on (1) First preference shares, of 7 per cent per annum, tax-free, (Rs. 80,493); (2) Second preference shares, of 6 per cent per annum after deduction of Income-tax (Rs. 9,956) and (3) Ordinary Shares, of 6¼ per cent per annum, tax-free (Rs. 2,84,140). The balance of Rs. 36,168 is to be carried forward.

Compared to the preceding half-year, the raisings as well as despatches of coal were lower at 500,931 tons (518,165 tons in the previous period) and 517,428 tons (526,106 tons in the previous period) respectively. At the Loyabad coke plant, 48,416 tons of metallurgical coke was manufactured during the period as compared to 40,712 tons in the six months ended December, 1955. Relative despatch figures were 48,266 tons and 40,491 tons respectively. The plant went into full production by October, 1956, at an output of 8,000 tons per month.

As a result of improvement in the transport position, the Company's stocks at the collieries were reduced by over 17,000 tons to 30,328 tons.

According to the Directors, the Award of the All-India Industrial Tribunal (Colliery Disputes) caused considerable trouble, as many points contained in it were open to different interpretations. The Rs. 3 per ton increase in the price of coal, they feel, does not fully cover the extra payments to be made to labour under the Award, at the Company's collieries. Further, the Company has not received any instructions regarding the part it will be permitted to play in connection with its expansion programme, so that order for the equipment required to increase output could not be placed.

THE STANDARD COAL CO., LTD.

For the year ended December, 1956, the Company's profits are Rs. 40,064 after providing for all charges and making provision of Rs. 30,029 for taxation and Rs. 1,000 for depreciation. Together with Rs. 17,347, being the amount brought forward from the previous year, and Rs. 70,000, being excess provision for taxation no longer required, the profit totals Rs. 1,27,411. Deducting from this a sum of Rs. 30,000 which has been transferred to general reserve, the balance available for disposal is Rs. 97,411. The Directors have proposed to dispose of the amount by paying Rs. 80,000 in the form of a 10 per cent per annum dividend, tax-free, and carrying forward the balance of Rs. 17,411.

THE BANK OF INDIA LTD.

The Bank's operations during 1956 have resulted in a profit of Rs. 1,05,29,924, which includes Rs. 13,26,630 brought forward from the previous year. An interim dividend was paid for the six months ended June, 1956, at 6 per cent, free of income-tax, on the paid-up capital of Rs. 2.50 crores, which absorbed Rs. 15 lakhs. Provision made for income-tax and super-tax absorbs another Rs. 28 lakhs and bonus to staff Rs. 13.75 lakhs. The Directors have proposed to pay a final dividend, for the half-year ended December, at 10 per cent, also free of income-tax, making 16 per cent for the year, which will absorb Rs. 25 lakhs. A sum of Rs. 8 lakhs has been recommended to be placed to the Bank's reserve fund, leaving Rs. 15,54,924 to be carried forward.

To mark the celebration of its Golden Jubilee, which fell during the year, the paid-up capital of the Bank was increased by Rs. 50 lakhs to Rs. 3 crores, by making a bonus issue to the shareholders of 1 lakh 'A' fully paid shares of Rs. 50 each from that part of the reserve fund representing premiums received on past issues of shares.

THE BANK OF MYSORE, LTD.

The result of the Bank's working for the year 1956 is a surplus of Rs. 20,59,973, which, together with Rs. 1,81,937 brought forward, aggregates Rs. 22,41,910. The appropriations that have been made are: Rs. 4 lakhs as an interim dividend at 12 per cent per annum and a bonus at 4 per cent per annum, tax-free, paid for the half-year ended June; and Rs. 2.50 lakhs transferred to reserve for income-tax and super-tax. The Directors have now proposed to pay a final dividend at 16 per cent per annum, also tax-free; for the year ended December, 1956, which will absorb Rs. 4 lakhs. For income-tax and super-tax, and bonus to staff, Rs. 3 lakhs each have been provided, leaving Rs. 5,91,910 to be carried forward.

COMMODITY NEWS AND NOTES

MORE AREA UNDER RICE

The All-India Second Estimate of Rice for the year 1956-57 puts the current year's area and production at 72,512,000 acres and 23,900,000 tons respectively as against the corresponding adjusted estimate of 71,886,000 acres and 23,515,000 tons for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 626,000 acres or 0.9 per cent in area and 385,000 tons or 1.6 per cent in production during the current year as compared to last year.

The increase in acreage during the current year has been shared mainly by Uttar Pradesh and Andhra Pradesh and to a lesser extent by Madhya Pradesh, Madras and Bombay and has been generally reported to be due to favourable seasonal conditions at the time of sowing. The increase in production has been reported mainly by Bihar, Assam, Madras, Mysore and Orissa and has been reported to be due largely to favourable climatic conditions during the growing period of the crop. The increase is particularly marked in the case of Bihar.

ALL-INDIA THIRD ESTIMATE OF SESAMUM

The All-India Third Estimate of Sesamum, 1956-57 puts the current year's area and production at 4,996,000 acres and 417,000 tons as against the adjusted Third Estimate of 5,423,000 acres and 434,000 tons respectively for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Agriculture. This shows a decline of 427,000 acres or 7.9 per cent in area and 17,000 tons or 3.9 per cent in production during the current year as compared to last year.

FALL IN RUBBER PRODUCTION

Production of indigenous rubber in India in January this year fell by 724 tons while consumption rose by 32 tons compared with the production and consumption figures of the previous month. According to a statement issued by the Rubber Board, the production and consumption figures for January were 2,190 tons and 2,679 tons, those for the previous month being 2,914 and 2,647 tons respectively. Consumption of imported rubber during the month was 335 tons. Stock with estates and dealers and stock with manufacturers as on January 31 together amounted to 8,982 tons of synthetic rubber.

INCREASE IN SUGAR PRODUCTION

The production and despatches of sugar from indigenous factories amounted to 10.03 and 5.50 lakh tons up to February 1957 in the current season as against 8.96 and 4.48 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on February 15, 1957 stood at 9.81 lakh tons as compared with 8.61 lakh tons last year.

INDIAN HEMP EXPORTS TO ITALY

Prospects of increasing exports of Indian hemp to Italy are good in view of the higher prices of the indigenous product in that country. The price support policy of the Italian Government has increased the price of Italian hemp to a level that Italian industrialists are compelled to import their requirements of the commodity. India is the largest supplier of hemp to Italy and Indian hemp accounted for 2,667 tons out of a total import of 3,869 tons imported into Italy in the first eight months of 1956.

US RUBBER PRODUCTION

US rubber manufacturing industry set two new records in January this year, according to the Rubber Manufacturers' Association. Consumption of new rubber exceeded 140,000 long tons for a new monthly high while production of all types of synthetic rubber was over 94,000 long tons during the same period. New rubber consumption at 140,090 long tons compared with previous peak month of June 1955 when 136,389 long tons were consumed.

FALL IN WORLD WHEAT OUTPUT

World's wheat production for 1956-57 is likely to be about 12.1 million metric tons, some two million tons below the production for 1955-56, according to the report of the UN Food and Agriculture Organisation. The figures do not include production in East Europe, the Soviet Union and China. The report showed that in the US and Canada, the two major producers and stockholders, efforts to cut production had been defeated by high yield.

EXPORT OF PAPER PRODUCTS

The value of paper and paste-board exports from India rose to Rs. 6,000,000 in the eight months April to November 1956 from Rs. 4,600,000 in the corresponding period of the previous year. The value of these exports was Rs. 7,000,000 in 1955-56 against Rs. 6,700,000 in 1954-55. The items in this category consists mainly of paste-board and stationery, the quantity of paper being negligible.

IMPORT OF UNCUT PRECIOUS STONES

The Government of India have decided to allow a small quota of five per cent for the import of rough precious stones, unset and imported uncut including rough diamonds. Under the import policy for January-June 1957 the import of unset and imported uncut precious stones is banned. The permission to import a small quota is, however, being given as a result of representations made by the indigenous industry engaged in cutting, drilling and polishing of precious stones for essential supplies of raw materials requirements.

WORLD WOOL CONSUMPTION

World wool consumption in 1956 rise by 8 per cent to the highest level since the war according to the latest issue of the Commonwealth Economic Committee's bulletin 'Wool Intelligence'. Over the whole of last year world consumption rose from 2,614 lbs. to 2,830 million but the increase was unevenly spread. The most striking growth was in Japanese wool usage which increased in each quarter of last year and which for the whole of 1956 was 41 per cent higher than in the previous year.

RECORD UK OIL OUTPUT

UK oil production reached a new post-war peak in January. British Petroleum announced that its oilfields produced 6,714 tons during the month, mainly as a result of increased production from its Egmanton field in Nottinghamshire, discovered in 1955. The total compares with an average output of 5,500 tons a month before the suez crisis.

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	594.9	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
July 1956 ..	380.6*	492.3*	395.2	385.7	560.3	409.2	91.2	100.5	85.3	125.2
August ,, c ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80·4	113.6
Week Ending 29-12-1956 ..	392.0	520.2	415.8	387·1	589.3	421.9	89.7	100.0	80.2	114.5
5-1-1957 ..	382.4	517.6	411.2	386.9	594.1	417.6	89.7	100.0	80.3	113.4
12-1-1957 ..	389.0	522.0	413.0	386.1	594.0	421.0	89.7	100.0	80.5	113.8
19-1-1957 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7
26-1-1957 ..	399·7	533·7	413.1	386.6	588.6	425.8	89.8	99.4	80.5	115.1
2-2-1957 ..	407.0	527.0	412.9	386.9	588.9	427.3	89.8	99.1	80.1	114.7
9-2-1957 ..	405.2	523.7	412.5	386.9	592.9	426.2	89.8	99.1	79.9	114 1
16-2-1957 ..	407.7	517.5	407.6	385·6	576.5	424.4	89.8	99.0	79.6	113.6

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	
							Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1948	292	307	248	132	348	478	377	151	328	184	138	138
1949	298	313	257	132	349	434	372	153	325	165	145	138
1950	314	330	261	142	370	451	391	168	334	167	160	144
1951	321	337	250	143	351	441	380	150	330	151	154	141
1952	321	337	275	140	349	453	387	151	338	147	156	145
1953	346	363	244	138	327	408	373	139	344	148	140	138
1954	342	359	244	138	323	371	364	133	321	134	135	132
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956 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	230	141	342	408	397	153	356	149	144	143
June	342	358	240	141	350	419	398	156	365	151	146	146
July	338	354	244	144	365	436	418	153	369	153	148	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	—	—	—	151	356	436	—	—	370	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	1-3-1957			22-2-1957			15-2-1957			8-2-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per tine tola) ..	107-12	104- 6	105-15	109-10	107-11	108-10	109- 7	107-14	108-11	108-12	107-14	108- 4
Silver (per 100 tine tolas)	182-13	177- 2	179-15	187- 3	182- 2	185- 3	186- 3	183- 1	184-12	187- 6	184- 8	186-14

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,98	265,62[1]	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133.95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450 65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
25-1-1957 ..	1,485,52	23,56	1,509,08	117,76	427,43	545,19	36.12	123,77	840,13	1,509,08
1-2-1957 ..	1,494,02	14,55	1,508,57	117,76	412,52	530,28	35.15	123,26	855,03	1,508,57
8-2-1957 ..	1,519,65	7,01	1,526,66	117,76	412,52	530,28	34.74	121,34	875,03	1,526 66
15-2-1957 ..	1,515,62	11,28	1,526,90	117,76	412,52	530,28	34.60	121,59	875,03	1,526,90
22 2-1957 ..	1,506,25	21,08	1,527.33	117,76	412.52	530,28	34.50	122,01	875.03	1,527.33

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities †	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	[illegible]
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	4,16
	(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	290,22	28,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52* ..	181,39	15,95	56,68	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	33,69	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	33,91	266,72	23,22	9,46	128,31	1,78	19,84	81,58	7,51
1954-55* ..	89,13	20,66	55,20	36,29	201,28	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	130,14	67,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,98	19,09
Week Ending														
25-1-1957 ..	51,46	13,33	51,76	12,68	129,23	142,64	281,87	23,78	1,11	83,18	7,48	102,19	49,62	14,52
1-2-1957 ..	52,35	16,08	54,44	13,40	136,87	143,87	290,75	14,74	1,42	93,84	6,25	108,46	51,43	14,61
8-2-1957 ..	51,01	13,53	50,70	41,79	157,03	143,77	310,80	7,19	1,15	122,16	6,27	124,22	36,72	13,08
15-2-1957 ..	52,25	12,48	51,59	42,40	158,71	141,52	310,63	11,53	1,56	113,43	6,78	130,33	44,02	13,04
22-2-1957 ..	53.98	11,24	56,48	42,27	163,97	140,79	314,77	21,34	2,03	106,35	7,72	112,66	51,65	13,02

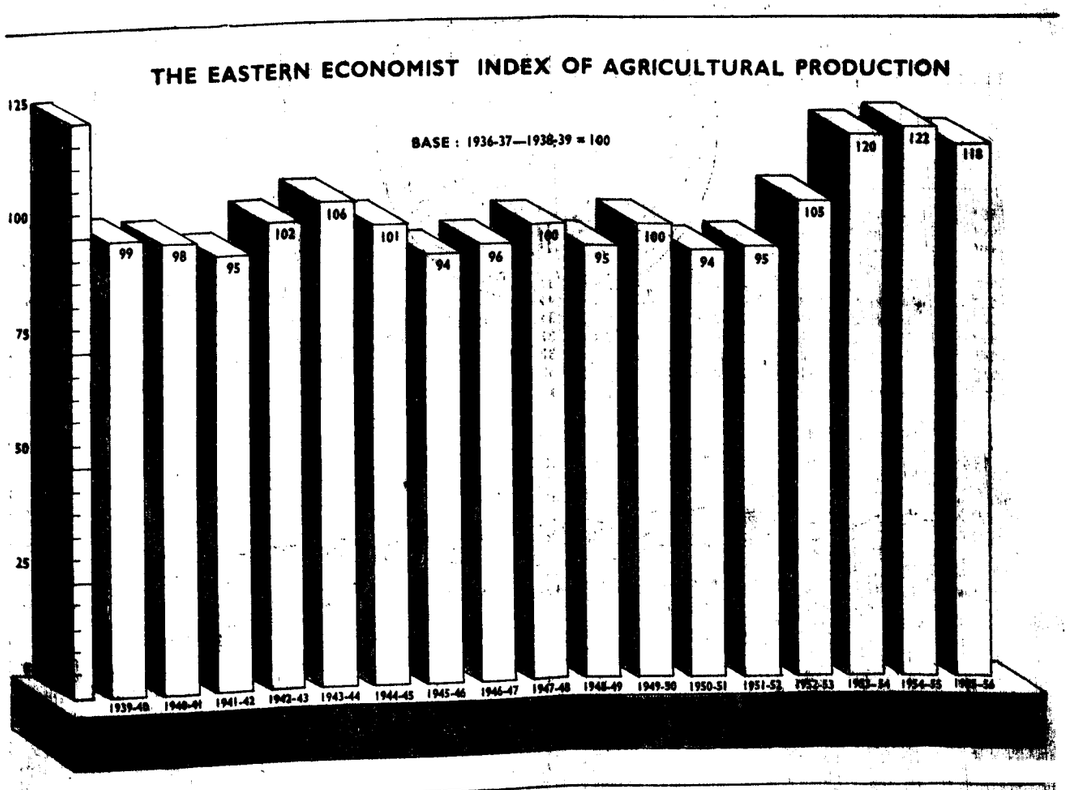
Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes National Agricultural Credit (Long-term Operation) Fund of Rs. 10 crores from Feb. 3, 1956 and of Rs. 15 crores from July 6, 1956 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956. * Average of Fridays. †Includes cash and short term securities.

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	117
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	121
Gram ..	86	111	122	103	100	115	143	145	117	115	105	133	146	164	156
Fibres ..	105	78	87	55	56	53	58	53	78	85	100	98	105	112	113
Cotton ..	109	76	89	54	52	51	54	46	65	72	77	77	97	106	98
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	112
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	112
Linseed ..	81	92	86	80	83	77	101	99	97	85	73	83	83	91	88
Miscellaneous	112	117	116	112	124	112	121	121	126	127	126	127	130	141	143
Sugarcane ..	83	100	114	106	102	110	131	109	111	126	136	113	104	125	130
Tobacco ..	103	86	75	93	97	79	69	75	78	76	61	71	75	73	76
Tea ..	119	113	135	121	136	147	152	156	158	158	164	162	164	174	180
Coffee ..	112	102	108	108	159	96	99	139	128	116	130	142	184	156	209
General Index	95	102	106	101	94	96	100	95	100	94	95	105	120	122	118

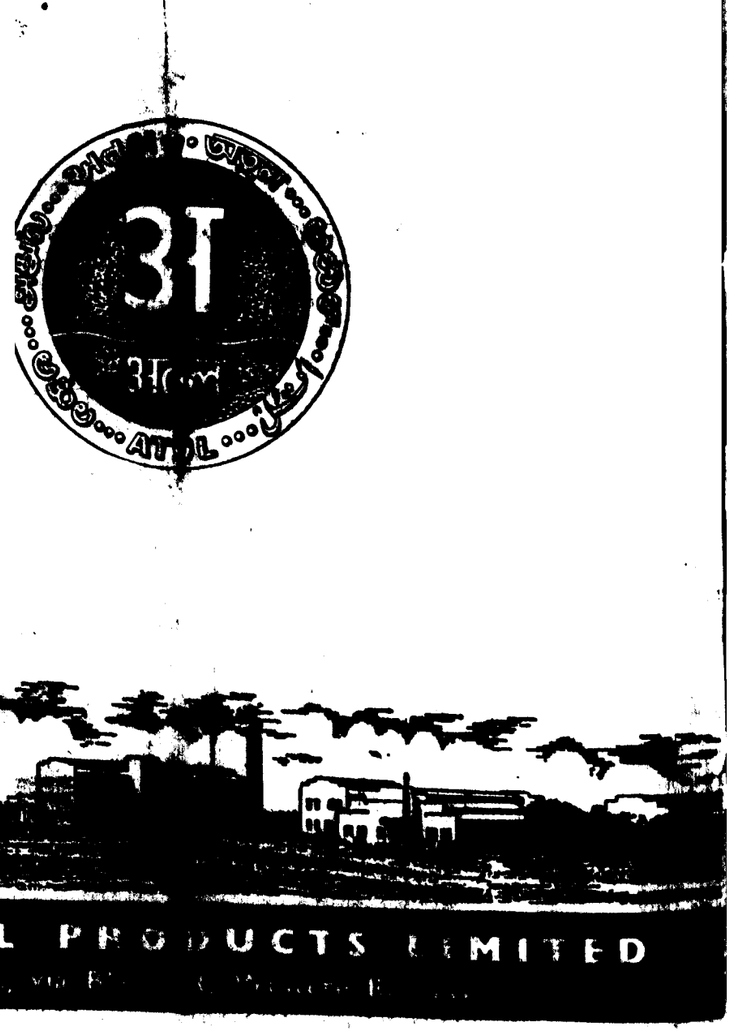
(*) Revised. (P) Provisional



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Israeli Withdrawal and After

SANER counsels have at last prevailed. Israel has withdrawn its forces from Gaza and Sharm-el-Shaik under the pressure of world public opinion and of the United States which has contributed much to its viability. Besides being the first step in the reopening of the Canal, the withdrawal is a tribute to the United Nations. To the world, especially to the countries east of Suez, it offers much needed respite from tension that lately looked so difficult to relieve. It closes the chapter of aggression in the Middle East story.

But while this augurs well, there is no room yet for *complacency*. The Suez dispute is back to where it stood before the Anglo-French military action in October last year. Besides, there is an important difference between the situation, then and now. Bitterness between the Jews and the Arabs is more acute than ever before. The dispute over the operation of the Canal has at the same time reappeared in its original virulence. The talks between the nationalised Suez Canal Authority and the so-called Canal Users' Association

over the collection and utilisation of the Canal dues presents a problem full of dangerous potentialities.

The Western powers are still opposed to the payment in full of the tolls for the transit to the nationalised company. Their recent proposal is an attempt to reopen the question of nationalisation and that implies a challenge to Egypt's right of exclusive control over the operation of the Canal. Britain and France, with the support of the United States and Norway, have put forward an interim plan for the operation of the Canal under which the Canal dues will be deposited equally with the Egyptian Authority and the World Bank, pending a final settlement on management. Fifty per cent of the dues, paid to the World Bank, would be spent partly on the Canal clearance and its repair and partly kept as a reserve fund. President Nasser has rejected, and rightly, these Western proposals. Its acceptance by him would have implied Egypt's acceptance of an imposed settlement and compromise of its sovereign right over the Canal. Egypt cannot be blamed if it sees in this Western approach an attempt at blackmail, especially as the Western powers have, according to reports, threatened to boycott the Canal.

The threat of boycott is presumably being held out in the hope that Egypt is now in no position to withstand it. Her economic difficulties are reported to be serious. Salaries of high officials in Cairo and of its diplomatic representatives abroad are said to be in arrears and Egypt has defaulted in payment of Communist arms loans. Another indicator of the pressure on Egypt's economy is to be had in the open market value of the Egyptian pound which has dropped from 2.80 dollars to nearly 2.15 dollars.

On the face of it, Egypt's stand is by comparison both reasonable and well justified. Egypt has accepted six principles incorporated in the United Nations formula for settlement of the Suez dispute. The principles are: free and open transit without discrimination, respect for Egypt's sovereignty, insulation of the operation of the Canal from politics, fixation of the tolls by agreement between Egypt and the Canal users, spending of a share of the tolls on improvement and settlement of future disputes by arbitration. Given readiness to arrive at a rational settlement, there should be little difficulty in evolving a formula in terms of these principles that would be in consonance with Egypt's dignity and users' rights. The Menon plan offers such a solution. It envisages Egyptian management of the Canal under some form of supervisory and consultative body consisting of representatives of the Canal users selected on a geographical basis. The guarantees that Egypt gives can be registered with the United Nations, thus making it responsible for ensuring their fulfilment.

It is no use ignoring, however, that peace will not come to the Middle East unless the Arabs accept the fact that Israel has come to stay and that it must no longer be treated as a belligerent nation. Especially, after the unconditional withdrawal of the Israeli troops, there is no basis for either party to the armistice agreement to assert or exercise any belligerent rights. The relevant question, therefore, is what would happen if Israel were to test the right of innocent passage through the Gulf of Aqaba or the Suez Canal? Mr. Hatem, an Egyptian spokesman, has not categorically stated that Israel would not be allowed such passage; but it appears from his statement that his country still proposes to deny that right to Israeli ships as reprisal of its "preventive war" against Egypt. This surely is an over-simplification of a complex issue. After all Israel is not the only law-breaker. Egypt too falls in that category. It was Egypt which, despite the armistice, waged war against Israel by blocking to it the Suez Canal and the Gulf of Aqaba, by organizing guerrilla warfare across the Israeli border, and by ignoring the 1951 resolution of the Security Council which denied Egypt belligerent rights over the Canal.

It will be wrong on the part of Egypt to take too narrow and legalistic a view of its claims as that would only make the area a happy hunting ground for interested parties. The best possible — and perhaps the only practical — solution would be to refer the dispute about the Gulf of Aqaba to the International Court of Justice, while allowing Israel the right of innocent passage during the interim period. So far as the future of the Gaza strip is concerned, the United Nations has to reconcile Israel's claim for the security of her borders with Egypt's sovereign rights in the area. While the control of the area must be restored to Egypt, means will have to be found for preventing violation of the Truce Agreements. Erecting physical barriers like electrified barbed wire fences along the armistice line is, however, both advisable anad practicable, for UNEF cannot obviously be permanently stationed in the area.

Egypt would do well to appreciate that after the Israeli withdrawal from the Gaza strip, it ceases to be the aggrieved party. Now its position is different. If it puts forward too strong demands regarding the control of navigation in the Suez Canal or the Gulf of Aqaba, it may alienate the sympathies of countries whose economies are suffering from the Middle East crisis, and also antagonize the United States which has so far been on its side. Israel also would do well to realize that international guarantees alone cannot ensure its continued existence. Its existence, in the last analysis, would depend on how much goodwill it shows towards its Arab neighbours and how far it can allay their suspicions. In Arab-Israeli dissensions lie the seeds of serious threats to their sovereign status — through foreign intervention or through internal subversion. Eminent Jewish leaders like Dr. Einstein and Dr. Weizmann, who appeared before the Anglo-American Committee of Inquiry on Palestine, asserted that the Jews did not desire to dominate the Arabs. They even offered to meet the Arab leaders to arrive at some understanding. Other leaders of Israel agreed with this assertion. The opportunity to demonstrate this was denied them when the Arab armies tried to wipe out Israel soon after its formation. After the armistice in 1949, Jewish leadership again made overtures to the Arabs. Unfortunately, the Arab leaders were not strong — or courageous — enough to accept the olive branch. However, the position at present is hopeful. A strong Arab leadership has emerged under President Nasser, King Ibn Saud and President Al Kuwatly. It could come to a settlement with Israel without being disowned by the Arab world.

Tightness for Tonnage

THE critical situation which confronts the programme for the development of shipping does not appear to have been fully appreciated. There is a strong trend to decry the target of 900,000 GRT fixed for the second Plan period as a puny target. True, India is aiming at achieving in 1961 a little less than one-half of the tonnage target prescribed by the Shipping Policy Committee for fulfilment in 1954. Under normal conditions no criticism of the target approved for the second Plan would have been too strong. But this criticism has ceased to be of any practical significance just because the outlook for the expansion of shipping is not only not normal but grave. The financial provision made in the Plan for the acquisition of the additional tonnage was admittedly inadequate. After the allocation of Rs. 20 crores for the two government-participated or owned overseas shipping corporations, a residue of Rs. 17 crores was all that was left to take care of the rest of the development programme. There was only a pious assurance that a constant watch would be kept on the situation and measures would be taken to implement the conservative programme in full. Developments so far disclose a steep rise in the prices of ships which threatens the achievement of even the accepted minimum programme.

Government, however, cannot be accused of not being alive to the quick pace of developments. The search for resources in terms of berths at overseas shipbuilding yards, for second-hand ships and provision of finance including credit have continued all along and will have to be continued without remission. The possibility of acquiring second-hand tonnage always formed a plank in the expansion programme. It is, therefore, with a sense of relief that this country has received the news of Senator Humphrey's resolution for legislation authorising the United States Maritime Administration to sell to us twelve Liberty ships from the moth-ball fleet. The resolution is now transmitted to the Senate's Inter-State and Foreign Commerce Committee and it would appear that about a year's time may be required before the formalities for the deal are gone through. Available details of the pending motion show that India will be granted the option of buying twelve Liberty ships of a specified tonnage or a larger number of the same aggregate tonnage. An important condition to be attached to the sale will provide for the use of the ships for coastal services. This condition will not, in fact, operate in restraint of our choice. Our requirements of additional tonnage for coastal operations in the second Plan period have not been properly assessed. The Chairman of the Scindia Navigation Company puts the extent of under-estimation at 60,000 GRT, assuming that old ships are retained in service.

The crux of the problem, however, remains unresolved and it would be an error to minimise its genuine dimensions. A scrutiny of the progress of the shipping expansion programme reveals a most upsetting conclusion. Orders placed for the construction of a tonnage of 170,000 towards the fulfilment of the additional volume required for the second Plan are estimated to have absorbed nearly Rs. 35 crores out of the total outlay of Rs. 37 crores to be provided by the Government and Rs. 2 crores out of Rs. 10 crores to be raised by the shipping companies from their own resources. The outstanding extra tonnage still to be provided, together with 90,000 tons on account of replacements, raises the additional tonnage to be acquired to 220,000 GRT. At current prices it may cost about Rs. 48 crores leaving a wide gap of Rs. 38 crores in the outlay actually provided. This gap cannot be measured in its full implications merely in terms of rupees. The capacity of the Vishakhapatnam yard has been fully booked till the end of March 1961 on the assumption that deliveries of ships will take place strictly according to schedule. The period may be extended further in view of recurring irregularities of supplies of strategic materials. Any additions to the tonnage can be only by means of either new ships to be constructed in the foreign yards or second-hand ships to be purchased abroad. In either case the balance of acquisitions involves expenditure of foreign currency. This is the true character of the challenge.

The solicitude of private shipowners for finding a working solution to this hard problem cannot be any the less strong than that of the Government. They have in fact made positive suggestions for a way out of the impasse. Two amounts, more or less equal in value to the balance of Rs. 10 crores now left out of the allocation made in the Plan, can be brought by them into the pool. The one accrues from the depreciation funds and the other can be built out of the instalments due in the second Plan period for repayment of purchase loans advanced by the Government. The presumption seems to be that Rs. 10 crores which they have to raise from their own resources are exclusive of depreciation reserves. The accruals from these reserves and the component of instalments on account of purchase of ships plying the coastal trade fail to answer the hard core of the problem of foreign exchange. At best the contribution on account of loan repayments in respect of ships earning freight revenue in foreign exchange can go directly to reducing the foreign resources gap to about Rs. 40 crores. The success or failure of the modest expansion programme for shipping depends upon our ability to cover this gap. There need be no need for defeatism. This minimum plan must be carried through.

One of the most potent assets of the shipping industry is its capacity to redeem its loan capital at a rapid rate. The whole process of redemption can be pushed through within a reasonably short period of about seven years. Here is an industry which can offer a reliable assurance to make deferred payments punctually out of its current earnings of foreign exchange. This proposal is said to be under the active consideration of the Government at the present time. Its convincing feature is the offer of the initial advance as high as 20 per cent during the period of construction. Available data indicate that Denmark, Norway, the Netherlands, Belgium and Japan will find the capacity of their yards relatively less burdened with cargo liners after 1958, but except for Norway and Japan the pressure of tanker construction will rise in the subsequent period. This trend should caution the advisability of starting immediate negotiations. If action is taken to this end in full consultation with the private sector, it will be proof of this country's earnest desire to supplement the World Bank's loan for shipping by its readiness to resort to a major conventional source. Indeed, it would argue for a sizable Bank loan.

Wide of the Mark

SIR JOHN KOTELAWALA is a colourful personality in the politics of Ceylon. He has a deserved reputation for startling verbal thrusts, and he can hit hard — hardest where Communism is the target of his attack. But unfortunately he can also over-reach himself sometimes, forgetting that the extreme things which can be truly said of Communism are more effectively said in the language of restraint and moderation. Hard words, they say, break no bones, but the former Premier of Ceylon is the last person to be deterred by any such aphorism. His latest performance at the annual meeting of his United National Party is thus of a piece with his native capacity for verbal aggressiveness, although, paradoxically, it does credit to his abiding democratic faith.

This democratic faith, however, cannot extenuate the ridicule he is reported to have poured on Mr. Bandaranaike and his followers. His contemptuous description of the members of the Mahajana Eksath Peramuna (Government Party) in Ceylon's Parliament as "uncivilised fellows who are tree-climbers" is certainly not in good taste. The only redeeming circumstance is that despite his evident bitterness, Sir John Kotelawala has proclaimed his determination to throw out *purely by democratic means* "this strange discordant administration composed of pseudo-democrats, Communists and other anti-democratic elements." Whether the Bandaranaike Government deserves to be thrown out is a matter to be decided by the people of Ceylon. What may interest people in India are the alleged Communist affiliations of Mr. Bandaranaike and his Government and the actual performance of that Government to date.

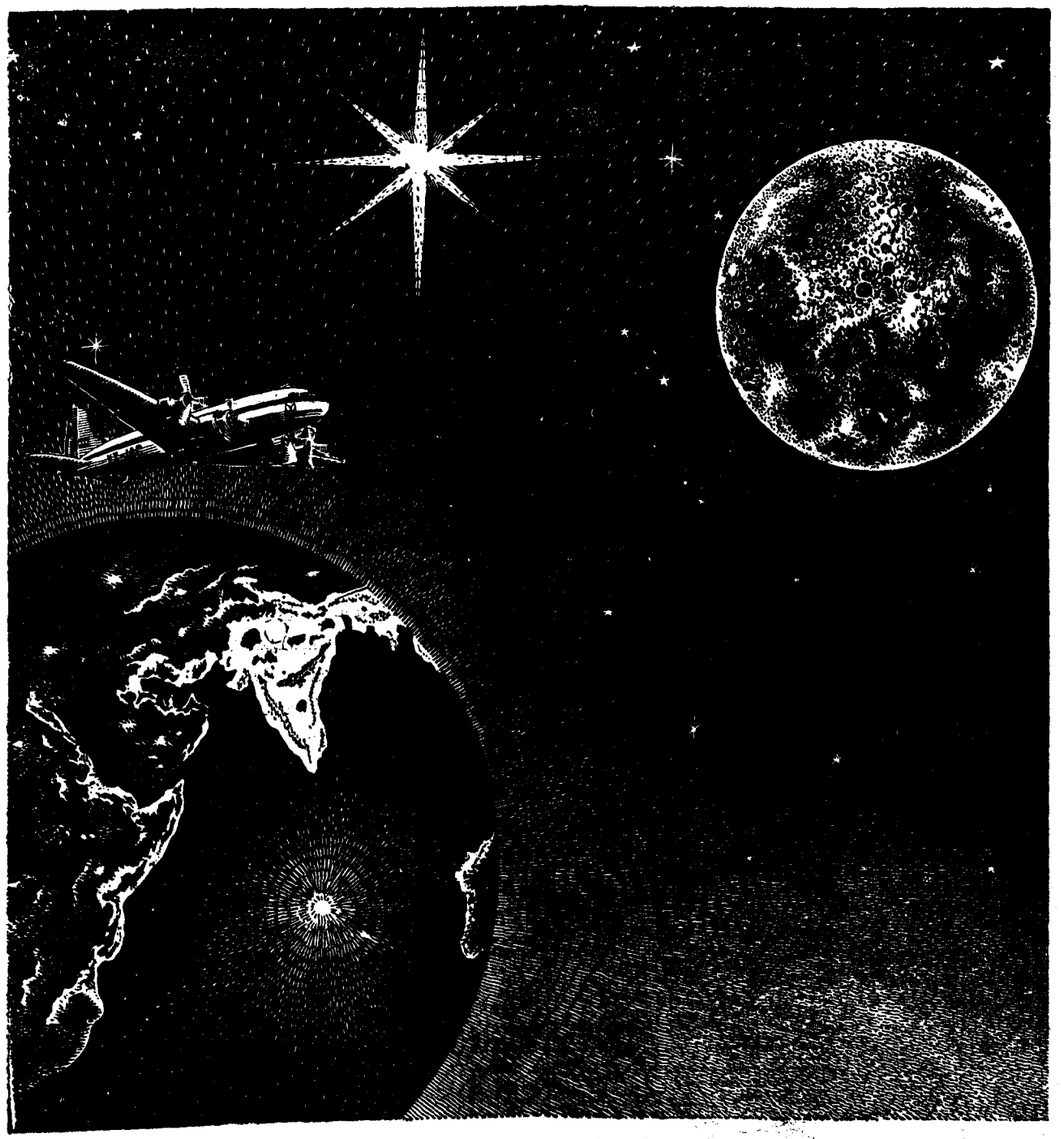
Sir John has levelled the serious charge that Mr. Bandaranaike "is getting himself and this country thoroughly enmeshed in the coils of the python of international Communism." Continuing, he has also expressed the fear that "like a python, international Communism will wrap itself round Bandaranaike and his Government before completely swallowing them." Shorn of their hair-raising metaphors (which give the impression that the former Premier exaggerates the Communist threat), these statements convey that Communism is gaining ground in Ceylon. This is not unlikely, for every under-developed country in Asia faces the same threat. To say, however, as Sir John fears, that "the Communist Party will surely receive all the funds they need from the embassies of their masters, who, till the M.E.P. Government was formed, sent only instructions for local Communists but could not transmit funds," is something more serious. This may or may not happen, but the responsibility for removing this kind of fear is clearly that of the Bandaranaike Government.

While Sir John may stand on some sure ground in his presentation of the Communist threat, his downright criticism of the Bandaranaike Government's economic policies does not stand close scrutiny. The former Premier has alleged that more money is going out of the country than is coming in, that thousands of educated youths are unemployed and that the country is heading for economic ruin. This picture of Ceylon's economy is belied by facts. The "Economic Survey of Asia and the Far East, 1956" — just issued by the United Nations — records that Ceylon's economy has remained more or less unchanged, that price stability has not been appreciably disturbed and that no marked strain has developed in the balance of payments. What little strain there has been to a trading economy like that of Ceylon is due to the closure of the Suez Canal — resulting in interruption and delay in the flow of imports and exports and involving increased freight and insurance costs. Foreign reserves remain at practically the same safe level as at the beginning of 1956. The country now has a sizable foreign exchange reserve of about Rs. 120 crores.

This is not the whole story, for Ceylon's economy has its other bright facets too. The index of agricultural production, for example, has risen from 142 in 1953 (based on 1934-38 100) to 160 in 1956. The index of per capita cereal production has also risen from 125 in 1953 (again based on 1934-38 100) to 142 in 1956, and the country now produces about half of its requirements of rice locally. Although industry has normally contributed only about 5 per cent to the gross national product, the increase in imports of capital goods from about an eighth in value of all imports in 1953 to about a fifth of all imports in the first half of 1956 is an indication of some industrial advance. The index numbers (based on 1953=100) of quantum of imports and exports in the third quarter of 1956 were 108 and 115 respectively. The budgeted deficit of about Rs. 15 crores for 1956-57 is explained by the increased expenditure on social services, particularly on consumer subsidies for rice and sugar. As at the end of October 1956, the net public debt was only Rs. 94 crores—something considerably less than the 1956-57 budgeted revenue of Rs. 121 crores.

These facts do not, of course, convey that Ceylon's economy is oozing unprecedented prosperity. But neither do they suggest that the economy is heading for ruin. If anything, it appears to be well poised for progress in the context of the recent establishment of the National Planning Council and of the Government's announced industrial policy of State ownership and control of *only* basic industries and of necessary encouragement to private enterprise. It, therefore, goes without saying that Sir John Kotelawala is very wide of the mark in his economic criticism.

It may suit Sir John's internal political purposes to paint a lurid (though misleading) picture of Ceylon's economy under Bandaranaike's stewardship, but it is amazing that he should have considered it necessary to sow some seeds of suspicion in the sphere of relations between India and Ceylon. The insinuation that in order, ostensibly, to forestall Communist subversion, India herself might take over her neighbour, amounts to a gratuitous insult to this country. No such hypothetical situation could arise, for Ceylon will come to have all the basic ingredients of economic stability and prosperity if Sir John Kotelawala stops his scare-mongering and his Party dedicates itself to constructive thinking and effort aimed at neutralising possible Communist influence. That the United National Party is probably thinking on these lines, can be inferred from its decision "to work towards the creation of a democratic Socialist State in the country." The sands of democracy are certainly not running out in Sir John's country.



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THE WEEK'S NOTES

INDONESIA IN TRAVAIL

WITH THE reported rebellion in Borneo, the writ of the Central Government of Indonesia, at the moment runs no farther than the island of Java. The Celebes, the Moluccas, the entire island of Sumatra—largest and richest in the archipelago —are already under the control of rebellious army officers. If nothing is done to stop the rot seizing the young republic, it is likely to disintegrate into small units, none of which may be in a position to preserve its independence for long. Indonesia thus faces a serious threat to her existence as a nation.

What is politically significant is that all these series of coups, which started in December last, have apparently been easy and bloodless. This obviously means that the army enjoys support of the masses and acts merely as their spearhead. This interpretation is supported by the fact that President Soekarno's several appeals (both in his capacity as Head of State and is Commander-in-Chief) have failed to make even the slightest impression either on the civilian population outside Java or on the defiant army officers. The demands of the rebels are not anti-national in a sense; they are not, at present, demanding a sovereign status for various islands under their control. Their demands, according to Mr. Nasir-ud-din, the Security Chief in the Central Sumatra, are "simple". They are: a change in the Cabinet by the replacement of Dr. Ali Sastraomidjojo; a rapprochement between President Soekarno and Dr. Mohammed Hatta; local autonomy for the constituent units; a rational re-allocation of the Government funds; and exclusion of the Communists from the Cabinet and the "National Council", if they ever come to be constituted under the Soekarno Plan of "guided democracy". In fact, it was President Soekarno's announcement to reorganise the Central Government and his intention to place Communists in key positions that precipitated the present crisis. Should President Soekarno continue to refuse to entertain these demands, it is no longer inconceivable that he may be reduced to the status of a mere figure-head while real power passes into the hands of a number of army juntas. Such an event will be both tragic and ironical; tragic, because it will be the end of a leader who wanted to do but good to his country; and ironic, because in his effort to save his country from army dictatorship he had unwittingly paved the way for it by his plan of "guided democracy".

What can save democracy in Indonesia and its territorial unity is the reconciliation between President Soekarno and Dr. Hatta. The new Government should give top priority to the eradication of corruption and intrigue, grant a larger measure of autonomy to the bigger islands and bring under civilian control the army which, as a result of its "revolutionary" inheritance and guerrilla origin, has too often meddled in country's political affairs. If President Soekarno and Dr. Hatta fail to rise above narrow, personal prejudices, death of democracy and independence in Indonesia will be attributed to them by posterity — and not to the democratic system which they have failed to run.

BEACON LIGHT OF AFRICA

SPEAKING ON Ghana's independence day celebrations, organized by the African Students Association (India), Mr. Nehru rightly observed that Ghana's independence by a peaceful withdrawal of the British ruling authority was an event of "great importance". Ghana is a symbol and witness of that longing for freedom which pulsates throughout Africa. Its independence — a momentous event — will surely give a powerful impetus to the freedom movement in the Continent. Ghanaians have, also, set the general pattern of the struggle -- almost Gandhian — against the domination by a White minority.

The Government of independent Ghana seems to be aware of their country's new role. In his first pronouncement as free Ghana's Prime Minister, Dr. Kwame Nkrumah said that Ghana could contribute most to the independence of the rest of Africa "by the force of its example"; while its failure would gravely harm all those millions of Africans who put their trust in Ghanaians and looked to them to prove that the Africans could build a State of their own based on democracy, tolerance and racial equality. These are words of wisdom. For, the success in the mission he outlined would depend largely upon the success Dr. Nkrumah achieves in forging a new platform for national unity in Ghana herself. Anti-colonial emotions, which forged national unity so long as Ghana was under British rule, can no longer be played upon now that Ghana is independent. And there is especially the problem of reconciling the people of Ashanti, who resisted bitterly British annexation and are hostile to the new regime. The hostility of the Ashantis is partly due to tribal considerations but mainly to the Western way of life. This sets a problem of statesmanship. Coming years will show whether Dr. Nkrumah is able to deploy his talent and imagination to resolve this problem. But it augurs well that he is alive to the difficulties he faces.

On foreign policy, too, Dr. Nkrumah showed maturity and wisdom. He has decided not to align Ghana with any bloc. The country's policy would not in any way be allowed to be affected by the aid it might receive from others. As a realist, however, he has pleaded to the Commonwealth countries to undertake development expenditure in Ghana on a basis of equality and mutual benefit. He believes, and rightly, that the "major role" of the new State in the Commonwealth and international affairs will be that of championing the rights of subject races in Africa and elsewhere. If Ghana follows this policy, there is bound to be considerable scope for co-operation between India and Ghana. The Indian Prime Minister has already publicly stated that nothing would give greater pleasure to the people of India than to render what help they could to the people of the State of Ghana.

MACMILLAN'S DILEMMA

RESULTS OF two more British by-elections, which came last week, go to show that the tide has now definitely turned against the ruling conservative party causing considerable uneasiness to its leadership. Warwick and Leamington is a stronghold of the Conservatives, which Sir Anthony Eden had the distinction of representing for 33 years, and so it cannot be considered a marginal seat like North Lewisham. In the by-election held to fill the seat of Sir Anthony, the Conservative candidate had a bare majority of 2,157 votes over his rival Labour candidate, whereas Sir Anthony during the last General Elections had a majority of 13,466. The Conservative share of the total votes polled dropped by 12 per cent, while Labour's share rose by the same figure. At Bristol West also, the setback to the Tories has been equally severe and pronounced, and the Tory majority has been reduced from 22,981 to 14,162. The pattern of the five by-election results that have come so far is undoubtedly a severe blow to the Tory Government reflecting the unpopularity of its policies, domestic as well as foreign, among a wide section of the people. It is at the same time a clear indication of the definite swing towards Labour notwithstanding the siz-

able votes polled by Independents in some of the elections. The elation among Labour is thus visible in the optimistic forecast of its organ, 'Daily Herald,' which has hazarded the view that if one were to go by the Warwick figures and a similar trend were to prevail throughout the country, Labour would have a majority of more than 260 in a House of 652.

Now the question is whether the Government can postpone a general election for a long time in the face of the popular verdict in the by-elections? Mr. Macmillan is reported to have told a committee of his party in the Commons recently that there would be "no General elections for two years or more," and that his Government would not be "deflected" from its course by the recent losses. This is indeed a pity because there is evidence of considerable discontent even among the rank and file of the Tory party over Government's policies, which has not been removed by the exit of Sir Anthony. However, it is not difficult to understand the dilemma before Mr. Macmillan. If the Government goes to the country now, the chances of victory are undoubtedly uncertain. If, on the other hand, it postpones the election, Government's prestige is likely to be impaired further which it may not be able to retrieve for a long time to come. Interest now, therefore, centres on the remaining two by-elections and there is no doubt that Labour would muster all its resources to hit hard so that it may force Government to order a dissolution of the House.

THE RETURN OF DE VALERA

HAVING CAPTURED 78 seats in the 147-member Irish Parliament, Mr. de Valera's Fianna Fail (Party of Destiny) commands a working majority in the Dail, which is further increased as a result of the decision of Sinn Fein (We Ourselves)—which has won four seats—to boycott the Dail as long as it is in a minority. Two important consequences that the elections have produced are that a man of high personal prestige and popularity has been returned to power and that, with the downfall of the coalition government, a large element of stability has been imparted to the Irish administration. It is perhaps the desire for stability, more than any hope of radical changes, that is mainly responsible for the defeat of the outgoing Government, in which Fine Gael (United Ireland) was the major partner. It is generally held that there is hardly any difference between the two parties on the more important economic policies. However, the animosities that grew out of the civil war of 1922, following the treaty of independence with Britain, are fresh on both sides. Mr. de Valera was opposed to the treaty on the ground that it divided Ireland into two parts. Though the veteran septuagenarian has not given up his stand, the main plank of his party's election campaign was that the coalition government was composed of divergent interests and could be scarcely effective in solving urgent problems. (It will be recalled that the majority in the old Dail comprised the Fine Gael, the Labour Party, Farmers, New Republicans and Independents against the substantial Opposition of 67 members of Fianna Fail).

The most important problems that would urgently engage Mr. de Valera's attention are those of growing unemployment and other economic crises resulting in the evil of poverty. The magnitude of those problems, coupled with outmoded and wasteful forms of agriculture in the country, has assumed such proportions that only a government enjoying the full co-operation of all parties may be able to resolve. For a smooth working of any developmental programmes, the new Government will need to ease the tension created by the raids of the illegal "Irish Republican Army" into the North, of which the vast bulk in the South disapprove. However strong the urge may be for re-union, it cannot become a reality by resort to violence. A friendly approach, on the other hand, may not only generate mutual confidence but lead to immediate results by way of trade and commerce which should contribute to prosperity on either side.

INCOME-TAX POOL: PUNJAB'S CASE

PUNJAB HAS a strong case for a relatively greater share in the divisible income-tax pool on the score of a big strain on the State's slender financial resources as a result of the maintenance of defence arrangements along the 300-mile long border with Pakistan. Up till now the State has been spending a big sum every year on the maintenance of armed police responsible for the maintenance of peace on the Indo Pakistan border. Although the Union Government has agreed in principle to share the border defence expenditure, it seems the greater burden will still have to be borne by Punjab itself. While one would not deny that a general measure of needs furnished by population and contribution should form the main basis in the distribution of income-tax, it would be perfectly justifiable to give a moderate weight to the demand for a greater quota on account of the precarious financial position of the State which, by no means, is of its own making. At present, Punjab owes about Rs. 200 crores to the Centre. According to the Finance Minister, Punjab's debt will be Rs. 181.5 crores by the end of the current financial year. This debt is entirely on account of the Bhakra-Nangal, Harike and other irrigation and power projects and road-building schemes. In fact the Rs. 170-crores Bhakra-Nangal project is mortgaged to the Union Government.

It is not only on account of the maintenance of defence arrangements that Punjab deserves a greater help from the Centre. The integration of PEPSU into Punjab imposes certain obligations on the bigger State to look to the needs of the underdeveloped area. The former State of PEPSU has a budget of some Rs. 9 crores. Last year there was a budget deficit of a little over Rs. 2 crores. Its revenue position is threatened with the expected introduction of prohibition. In this context it may be remembered that the total excise revenue of this area is Rs. 2.1 crores of which Rs. 1.2 crores is derived from liquor alone. The position being what it is, PEPSU is likely to be an additional strain on the already strained financial resources of Punjab. The Finance Commission which is shortly visiting Punjab may, it is hoped, take into account the special conditions in the strategic State and recommend a fair deal appropriate to its rather heavy requirements.

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A Window on the World

DESPOTISM OR DEMOCRACY FOR ASIA?

By

ODYSSEUS

FOR the second time, the biggest genuinely democratic general election in the world has taken place in India, without more fuss than is legitimate in what should be a grand, national debate, on policies and personalities, that should set the course of the Republic for the next five years.

Indeed, these elections should do much more than that. The really fundamental questions that need to be asked are:

(1) Is India able to give Asia a practical demonstration that there is another and better form of government than varieties of despotism, autocracy, and dictatorship?

(2) In particular, has India the political strength and know-how successfully to resist the most dangerous of these despotisms—Communist rule?

(3) Can India's federal and state parliaments and politicians produce results? Can they raise the standard of living of India's masses with greater or less speed and efficiency than the Communist regimes?

(4) Can India's democracy fight corruption and provide honest government and administration, with greater or less success than, for example, the Communist Chinese claim to have achieved?

Unless these questions can all be answered with "Yes", the holding of general elections merely paves the way to the general disillusionment that is the prelude to revolutions.

Indian independence has not only set Indians politically free but it has liberated the minds of scholars—Indian and British—from the fear of being thought anti-Indian or pro-British, pro-Indian or anti-British. Before 1857, Britain had a high standard of scholarship on India, from Sir William Jones (1746/1794) onwards. But almost everything written between 1857 and 1947 was distorted by the heat of the nationalist struggle. If you were an Englishman you leafed through any new book on India in order to ascertain whether it was pro-British or "friendly to the under-dog". Equally, if you were an Indian, you skimmed through it to see whether the book was pro- or anti-Indian. If it was "pro", you read it to fortify your own convictions. If "anti", you struggled through in order to refute it. The test pages were those devoted to discussion of India's unity. Any writer who emphasised India's multifarious creeds, castes, peoples, and languages, was pro-British and anti-Indian, because the conclusion was that India would disintegrate into chaos on the day that the British quitted. Anyone who emphasised the fundamental homogeneity of Hinduism, and the blood brotherhood of Indian Muslims and Hindus, was anti-British and pro-Indian, because this implied that the presence of the British was not essential to hold the Indian nation together.

NEW PERSPECTIVE OF INDIA

Today, happily, the British can recognise without dismay that there is a fundamental unity of religion and culture in India, and Indians can admit without disloyalty that pulling against this unity are a diversity of regional, linguistic, and other loyalties. These concessions to the facts can be made because what is at stake today is not who shall rule India, but how best can Indians solve their share of the problems that Providence has seen fit to allocate to them.

These remarks are a preliminary to directing your attention to a book by Professor W. H. Morris-Jones, entitled "Parliament in India", published a few days ago by Longmans Green.

Professor Morris-Jones combines a sympathetic understanding of Indian national feelings with a profound scholarship, enlivened by colourful anecdotes and a pleasingly dry humour. The result is an outstanding contribution towards answering the four questions of my second paragraph—a book which no Indian politician, civil servant, publicist, newspaper commentator, and nobody who wants to understand the mechanics of Indian public life, can afford to overlook.

Professor Morris-Jones begins by noting that India's constitution reveals her to be a union of states in which the federal Parliament has exclusive power to legislate on ninetyseven subjects ranging from defence, foreign affairs, inter-state commerce, railways, civil aviation, and patents, to film censorship. It has the exclusive power to legislate on any matter not enumerated in the other two lists of Concurrent and State Subjects. Where a State law is repugnant to a Union law, the Union law prevails. Moreover, under certain conditions, the Union Parliament can invade the State List, can over-ride the State legislatures, and can take over the entire State by inaugurating the rule of a Governor appointed by the Union President. Not even the existence of a State is sacrosanct, because the Union Parliament can make and unmake States as it wills.

Such a marked central bias must clearly flow from some profound experience of unity. And this we discern in the experience of the hundred years prior to 1947, during which India was governed under a strong unitary system, which coincided with the rapid and increasingly intensive development of all means of communication. Centralisation, resisted for long in the UK, was effected over the vast Indian sub-continent. Such reversal of this centralising trend as was initiated by the devolution of some power to provincial governments was conditioned by the dominating position of the Indian Civil Service, a corps with an all-India outlook. The I.C.S. certainly debated the pros and cons of centralisation, but they did so essentially from the viewpoint of administrative convenience.

Not everyone in India found it easy to grasp the idea of an Indian nation. For the Madrassi villager, even the district headquarters town was often remote enough, while Bengal, the Punjab, or Gujerat, were strange, far-off worlds that scarcely impinged on his consciousness.

From 1885 onwards, the governmental and administrative emphasis on India's unity was re-inforced ever more strongly by the Congress Party's demand for self-government and by its proclamation of India's political

unity—messages which were ultimately carried to the masses by Mahatma Gandhi's genius.

Came independence, and with it the need for a constitution embodying India's past political experience and designed to fulfill her future political aims. Partition struck a severe blow to national unity, and with the departure of the British the compelling need to suppress regional and other differences in the interests of a common national revolt vanished. Would India's regional loyalties set up pulls stronger than the unifying forces of religion and culture?

If the framers of India's Constitution had enjoyed the experience of unified rule and common revolt in the past, they had also shared common hopes and anxieties for the future, and the unitary character of the Constitution flowed from their hopes and anxieties as well as from their experiences. So that a strong centre was not only the reflection of an existing unity but also a device intended to insure against the as yet untested strengths of regional loyalties and sectional divisions.

INDIA'S TWO POLITICAL UNITIES

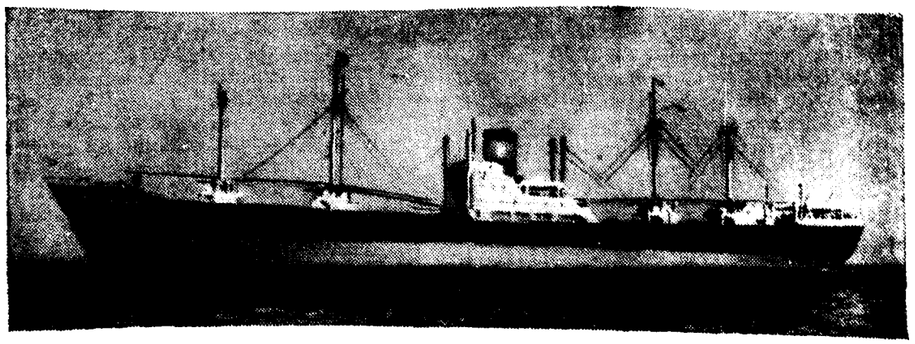
The partition of India showed that an economic unity could be shattered on the rocks of political antagonism. The mere existence of a centrally-biased Constitution, plus an all-India economic Plan, might alone have been insufficient to preserve national unity. But, as Professor Morris-Jones shrewdly points out, the two inherited political unities—the unity of the higher administrative service and the unity of India's principal political party—remained intact.

The Indian Administrative Service continues to think in terms of administrative unity far more than would State-recruited services, and with the spread of State Enterprise in great all-India ventures like the new River Valley, the Airways, and other corporations, the unifying influence of the I.A.S. has spread into spheres untouched by the I.C.S.

I have on more than one occasion regretted the absence of a strong political Opposition to the Congress Party. I do not need to elaborate once more the dangers to the preservation of genuine democracy that spring from continued One Party domination. Dictatorship, whether by an individual or a party, is perilous to progress as much as to freedom. A One-Party government is constantly tempted to overcome difficulties and silence critics by police-state methods. A feeble Parliamentary Opposition cannot do much to defend civil liberties.

All this having been said, it nevertheless remains true that were Congress to be defeated in a General Election, there is, for the time being, no prospect of its being succeeded by another strong, all-India party, with experience of government and administration, policy-making and office. Its place could only be taken by coalitions of small parties as stable as quicksand. The farcical history of PEPSU would be repeated on an all-India scale, to the delight of Peking and the Kremlin and the dismay of the free world. If civil liberty is imperilled by prolonged One-Party government, it would vanish in the chaos of No-Party government.

My allotted span for this week is up. I adjourn the attempt to answer the four questions with which I opened. But before closing, I leave you the following thought to mull over: Had it not been for the combination of (1) the British steel frame inherited, and developed, by the Indian Administrative Service, with (2) the national sentiments cultivated throughout the land by the Congress Party in its struggle towards independence, and the experience of men and affairs, and of government and administration, accumulated by the Congress Party over half a century of pre-independence agitation and of pre-independence political office, the answers to be given next week would be gloomy indeed, instead of constituting what I have in mind call "A (Sober) Success Story".



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FIDDLING WITH THE INDEX

(From Our Special West European Correspondent)

PARIS, March 9.

THE calculation of cost of living indices is well established in India where it was pioneered many years ago by private enterprise, and has lately been taken up with enthusiasm by labour ministries both in the States and at the Centre. For laymen (and "laymen" here includes almost all the people directly affected, officials, workers and employers) the significance of economic indices remains one of life's great mysteries. Like other mysteries that closely influence our daily life, the cost of living index becomes the subject of much superstition and magical thinking, and can even—as in the case to be mentioned below — bring on acute political schizophrenia. We saw a bad case of Primitive Index Worship in India a few years ago when Delhi devised a national working class cost of living index by averaging out various provincial index numbers—a process rather similar to the ancient Greek practice of identifying every new god they heard of abroad with one of the inhabitants of Olympus: they averaged out three new Syrian goddesses and got Minerva. A much worse case of Primitive Index Worship is now exhibited by the supposedly logical French who at this moment find themselves in the supremely illogical situation where if the price of potatoes goes up by one anna a seer in Paris, the whole economy is let in for an inflationary increase in all wages and prices of about £200 million overnight. Naturally, in this situation the Government's main thought is to stop potatoes going up an anna, so that the Finance Minister comes to resemble a doctor who plunges the thermometer in ice to stop the patient's temperature rising.

A doctor who is really determined to keep the thermometer down will go to extreme lengths, for when a logical mind begins to think magically there is no limit to lunacy. Certain unnamed administrations known to my readers used to have a very simple way of fiddling with a cost of living index that threatened to rise awkwardly: they just falsified the figures so that the index could not rise. But this is cheating and is frowned on by good magicians. Another method is not to take the patient's temperature, but to take somebody else's temperature; the Indian form of this popular subterfuge was to include in the index only the official prices (at which no sales were being made) and ignore black market prices (which everyone paid). The beauty of this form of cheating is that elevated moral reasons can be urged in support of it, e.g. the black market shouldn't exist, so it doesn't exist. Alternatively, the doctor can use a broken thermometer. Popular varieties of broken thermometer exist which record not the patient's temperature today, but what it was ten years ago; these are indices with such remote base-years that they no longer mean anything.

M. Ramadier, who is France's financial doctor today, can use none of these methods so he has devised another. Admittedly, he is using a deliberately broken thermometer (his cost of living index excludes fruit and vegetable prices, for the astonishing reason that "they vary too much") but the wretched instrument still wants to rise. So he pays it to stay down. This costs him £24 million per degree and so far he has spent over £100 million to keep the index down to a "healthy" level. Naturally, this £100 million is all inflationary finance, and thus tends inevitably to make the fever worse, but it keeps the thermometer down and that's what matters in Primitive Index Worship. It is worth seeing how this case of schizophrenia developed because it contains a lesson which it is not too early to learn in India. The lesson is that employers and trade unions should be resolutely suspicious of all official attempts to construct cost of living indices and should if necessary hire economists to protect them from being bamboozled into index worship.

The French retail price index is based on the cost of 213 articles (which were selected and weighted after family budget surveys) in Paris; to this index were related basic wages in Paris and other parts of the country according to the following sliding scale: every 5 per cent rise in the index will require a 5 per cent rise in the basic wage. The index stood at 142 when this connection was established by law in 1952, so the question of a jump in salaries would not arise until the index got to 149.1. For about four years, because of stable prices, there was no danger of this, but since the Algerian war began to generate inflationary tendencies the retail price index has been threatening to cross the fatal line of 149.1. The Government determined to stop it doing so, and to date it has operated by official decree 15 separate manipulations of the prices of certain of the 213 articles. Some of these manipulations have been in the realm of high fantasy: thus a sales tax is taken off dry sausage because it is in the index, but price rises are allowed in garlic sausage because it is not in the index; municipal charges for garbage collection are reduced because they affect the index while beans double in price; and so on. I know a man who runs a bathing establishment and who was highly honoured when his entrance fee was included in the official index —he has just been served with an order to cut his entrance fee to a level that will put him right out of business but which helps keep the index down.

In fact, almost no one in France earns the basic wage (everybody earns more) so this exaggerated care for the consequences of a rise must seem absurd. But the result of five years of index worship is that dozens of other wage agreements, both public and private, are linked to the basic wage and thus indirectly to the famous index. And not only wages and salaries: rents and business leases have been linked to the index too, and in such a way that in certain cases a one-anna rise in the price of milk, by pushing the index over the threshold, could cause a 50 per cent rise in house rents. Moreover, many agricultural products have been linked to the index, more or less loosely it is true: these include wheat, barley, oats, tobacco and linseed. Even this long list of prices that depend on the cost of living index covers only cases known to the Government; heaven knows how many private contracts include a stipulation about variation with the cost of living. Such stipulations are very popular in a country that has had a taste of inflationary depreciation of the currency.

But the automatic effects of a jump in the index are probably less serious than the psychological effects. When everybody waits expectantly for the index to rise to a new plateau, demands bank up like water behind a dam to come rushing out once the fatal limit is crossed. The Government here thinks, and there is evidence to support the fear, that if one 5 per cent rise is permitted, it will unloose such a chain reaction of price rises that another 5 per cent rise will follow in

very short time—and then may be another. So the Government justifies the payment of £100 million of subsidies and tax reductions on the ground that this is cheaper for the economy as a whole than letting all wages and prices rise automatically on the sliding scale. Similarly, a doctor could argue that his patient might get sicker if he knew how high his temperature really was.

For these reasons the technique of fiddling with the index can have a certain limited usefulness, where it is a question of staving off accidental and temporary rises in the cost of living which, if allowed to occur, might have chain-reaction consequences that would not be temporary. In such instances, it resembles the British system of declaring certain goods to be"utility" goods and defending them from price rises while other prices increase, or the system rightly favoured by 'The Eastern Economist' in specific circumstances of paying expensive rice subsidies in order to protect the Indian economy from general wage increases. But when the criterion becomes simply whether an article is included in the official index or not, we have left the field of rational economic policy and are launched on magic.

A grave danger of fiddling with the index is that in the medium run it is self-defeating because it becomes every producer's ambition to keep his products out of the index, so that he can increase his prices without being accused of boosting the cost of living. This leads to the politicalisation of statistics and can have disastrous consequences. The gentleman who runs the bathing establishment will not be so keen next time to be included in the official index. Being an individual, he will probably not have much choice, but where it is a whole major industry, with a powerful lobby in parliament, the pressure to be left out of official calculations can be serious. There is even reason to suppose that fruit and vegetables are forgotten in the French index not so much because of seasonal variations (which can be allowed for statistically) as because the peasants saw what was coming and refused to play. Worse, the pretence of defending the cost of living can become an instrument of political pressure, as when a newspaper that does not support the Government is prohibited from increasing its selling price because the index includes newspaper prices.

The lesson for Indian trade unions and employers to draw from French experience is to think twice about basing any agreements on an index over which the Government has any control. Above all, it is important that no one single index number comes to be the basis of a wide range of price movements. Once too many movements depend on one sliding scale, official policy is to see that the scale never slides. The worship of one index number can introduce an element of rigidity into the economy that is highly embarrassing because every jump from one plateau to the next becomes cataclysmic in nature. Indian officials, like officials everywhere, are fond of casting suspicion on privately constructed index numbers such as are maintained in India by several institutions. Only Government, they say, should calculate such important economic measurements; and of course once officials have the field to themselves they begin to "centralise" the indices and it is not long before one index becomes so important, that the temptation to fiddle with it is irresistible. Cost of living indices have a role to play in economic policy and their importance will continue to increase in India. Honestly used, it is now recognised that they can have an anti-inflationary effect. But to be safe from fiddling they must be multiple in number, regional in application and calculated from base-years that are being constantly modernised.



WORLDGRAM

AGRICULTURE

Grow More Food Programme for Orissa: Schemes costing Rs. 32.08 lakhs under the Grow More Food Programme of Orissa State during 1957-58 were approved at the joint meeting held recently between the representatives of the Union Ministry of Agriculture, Planning Commission, Union Ministry of Finance, Ministry of Community Development and the representatives of the Orissa Government. The ceiling fixed by the Planning Commission for the Grow More Schemes of Orissa State for 1957-58 is Rs. 33.56 lakhs. The Central share of assistance to the schemes so far approved amounts to Rs. 20.81 lakhs as loan and Rs. 6.98 lakhs as grant, making a total of Rs. 27.79 lakhs to which the State will contribute Rs. 4.29 lakhs. This altogether makes an outlay of Rs. 32.08 lakhs for the State's Grow More Food schemes on the basis of present sanctions. The gap of Rs. 1.48 lakhs between the Planning Commission's ceiling and the present sanctions will, however, be made up by a scheme for lift irrigation which the State Government will submit later. Necessary loan and grant by the Centre will be sanctioned on receipt of the scheme.

*

Central Warehousing Corporation: The Central Warehousing Corporation has come into existence. Among the important functions of this Corporation will be the setting up of a chain of about 100 warehouses during the second Five-Year Plan period spread all over India. It will also promote the formation of State Warehousing Corporations in each State which in turn will establish about 250 warehouses at important centres in the States. The authorised capital of the State Warehousing Corporation is Rs. 20 crores divided into two lakh shares of the face value of Rs. 1,000 each. Half of this share capital will be issued in the first instance.

*

Sheep Breeding Schemes: Progress of several sheep breeding schemes from Madras, Bombay, U.P., Rajasthan, Jammu and Kashmir was discussed at a meeting held recently by the I.C.A.R. Goat, Sheep and Wool Committee. The scope of work of the Wool Committee has now been expanded after its reconstitution as a Scientific Committee. It will examine the technical aspects of all schemes connected with the rearing of goats and sheep besides wool development. It will also plan research work and make available the results of research of proved economic value to extension workers for adoption by producers.

*

Green Manuring: Technical programmes connected with green manuring schemes and research on the nature and extent of the intake of different forms of phosphates by leguminous green manure crops and their availability to paddy were discussed by the I.C.A.R. Agronomy Committee, recently. The object of the co-ordinated green manuring scheme is to find suitable types of green manuring crops under different soil and climatic conditions and to fit them into important cropping schemes, both under rainfed and irrigated cultivation. Other important schemes discussed included a study at Khalsa College, Amritsar, of the cost of the reclamation of saline and alkaline lands. Among the reports approved by the Committee were those on Co-ordinated Weed Control schemes in Andhra, Assam, Bhopal, Calcutta, Gwalior, Himachal Pradesh, Madras and Nagpur and a co-ordinated scheme of pasture grasses and fodder production in Bhopal, Bihar, Bombay, Coorg, Mysore, West Bengal, and the I.A.R.I., Delhi (where a grass land survey is being carried out directly by the I.C.A.R.)

INDUSTRY

Manufacture of Cement in India: The production capacity of the cement industry in the country will increase to about 16 million tons by the end of the second Plan period, according to a Government Press release. There are now 28 cement factories in the country of which two are owned by the U.P. Government and the Mysore Government. Of the other factories, all privately-owned, seven are in Bihar, four in Bombay, three in Madras, two each in Mysore, Andhra, Madhya Pradesh and Punjab and one each in Orissa and Kerala. By 1960, it is expected that there will be 64 factories, spread all over the country with a capacity of 16 million tons. Schemes to establish 31 new factories have been approved by the Government of India in addition to schemes for expansion of several existing factories. The new units now approved, will have a total capacity of 5.6 million tons. Of them, seven will be established in Andhra Pradesh, seven in Bombay, three each in Rajasthan and Madhya Pradesh, two each in Assam, West Bengal and Madras and one each in U.P., Bihar, Orissa, Pondicherry and Mysore.

*

Manganese Sulphate from Indian Ores: A new process for the production of manganese sulphate from Indian ores has been worked out at the Central Electro-Chemical Research Institute, Karaikudi. The new process involves mainly mixing of the Ore with a reducing agent—charcoal or coke—roasting of the mixture at a moderately high temperature followed by leaching of the calcine with dilute sulphurid acid. The leach liquor after removal of impurities is concentrated to saturation when crystals of manganese sulphate separate out. Recovery is about 60 per cent. The product obtained is totally soluable in water. Parties interested in understanding the commercial development of the process may correspond with the Secretary, National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi-1.

*

Phenolic Moulding Materials: The Indian Standards Institution has published an Indian standard on methods of sampling and test for phenolic moulding materials, Part I (tentative). Part II of the standard is under preparation. This standard covers the methods of test which are common to the detailed Indian standard specifications for individual phenolic moulding materials. It contains definitions of terms used in trade and industry and methods of sampling. The standard prescribes the methods for determining apparent powder density, density of moulding and bulk factor, time of flow, shrinkage, tensile strength, impact strength, water absorption, acetone soluble matter, electric strength (minute value at 90°C, surface resistivity, volume resisitivity, and power factor and permittivity.

*

Preparing Cuprous Oxide in India: A new method for preparing cuprous oxide has been developed at the Central Electro-Chemical Research Institute, Karaikudi. The operating conditions have been standardised in the laboratory and a pilot capable of producing one pound of copper oxide per hour has been designed, fabricated and operated successfully. Parties interested in undertaking the commercial development of the process, which is covered under Indian Patent Nos. 52394 and 56532, may correspond with the Secretary, National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi-1.

*

Hydrants for Fire Fighting: The Indian Standards Institution has issued, for eliciting comments, three draft Indian standard specifications for hydrants used

for fire fighting purposes. These three drafts cover stand post type hydrant and under ground hydrants, sluice valve type and double valve type. The drafts lay down requirements regarding materials, dimensions, constructions, workmanship and finish. Comments on these drafts may be sent to the Indian Standards Institution, 19, University Road, Delhi-8 before May 1, 1957.

*

Drafts Standards for Three Varieties of Cotton Cloth: Three draft Indian standard specifications for cotton cambric, scoured, cotton mosquito netting square mesh, dyed, and cotton cellular shirting dyed have been issued by the Indian Standards Institution for eliciting comments. These drafts cover general requirements, such as quality of yarn and cloth; and specific requirements such as ends and picks per centimetre (or inch), weight per square metre in gram (or per square yard in ounce), constructional details and warpway and weftway breaking strength, length and width and shrinkage of cloth. References to relevant Indian standards for determining the values of characteristics given under the specific requirements have been mentioned in the drafts.

FINANCE

World Bank Loan to Air India: The world Bank announced that Air India International has arranged to borrow $16,800,000—$11,200,000 from five United States Commercial banks and $5,600,100 from the World Bank —to buy three long range jet passenger planes. The loan, which carries the guarantee of the Government of India was signed in Washington on March 5, 1957. It bears an interest of five and a half per cent per annum including the one per cent commission charged by the bank. Amortisation will be in four semi-annual instalments beginning April 1, 1956 and ending October 1966.

*

Rise in Britain's Gold and Dollar Reserves: The Sterling area's gold and dollar reserves rose by $63 million during February, the British Treasury announced recently. The total reserve—a barometer of Britain's economic position—stood at $2,147 million on February 28. On provisional figures for the month the UK had a surplus of £8 million with the European Payments Union, clearing house for European trade—the second successive profit in monthly trading with Western Europe. The rise in the Reserves during February is almost entirely due to India's withdrawal during the month of $59 million from the International Monetary Fund. Such withdrawals are automatically banked in gold dollar reserves.

TRADE

Schedules to Indo-Polish Trade Agreement Extended: Letters were exchanged in New Delhi recently between Shri S. Ranganathan Secretary, Ministry of Commerce and Consumer Industries and H. E. Mr. J. Grudzinski, Ambassador Extraordinary and Minister Plenipotentiary of Poland in India, extending the Schedules to the Indo-Polish Trade Agreement, signed on April 3, 1956, up to December 31, 1957, with the following modifications:

Schedule 'A' (Import from Poland into India).
The following items have been omitted·
- Electric fans,
- Sewing Machines,
- Rayon Fabrics and
- Bentwood Furniture.

Schedule 'B' (Exports from India to Poland)
The following items have been added:
- Flax manufacturers,
- Paints and lacquers,
- Bristles,
- Plastic goods.
- Electrical accessories,
- Hardware,
- Boots and Shoes,
- Linoleum,
- Canned fruits and meat products,
- Jams, chutneys, pickles, fruit squashes and sauces,
- Soap and toilet products and
- Cashew shell oil.

The trade between the two countries has been on the increase since the signing of the Agreement. The exports during April-November, 1956 from India to Poland were valued at Rs. 76.22 lakhs as compared to Rs. 32.60 lakhs during 1955-56. Imports from Poland during April-November 1956 were valued at Rs. 192.07 lakhs as compared to Rs. 43.15 lakhs during 1955-56. The main items of Indian exports to Poland are: Mica, iron ore and hides and skins. Main items of Polish exports to this country are metals, iron and steel goods and paper.

*

Sandalwood Oil for Export: Grading as a means of exercising quality control is being extended to cover more commodities within its purview. Under the sandalwood Oil Grading Scheme which forms part of the Essential Oils Grading Scheme, all sandalwood Oil which is earmarked for export from this country is being compulsorily graded under Agmark with effect from February 1, 1957.

GENERAL

New Agreements for Machine Tools Production. The Government of India have signed a new Agreement with Oerlikon Machine Tool Works Buehrle and Company, Zurich-Oerlikon, the Swiss firm of consultants for the Hindustan Machine Tools (Private) Ltd., Bangalore, the effect of which will be terminate the financial partnership of the Swiss firm with the Government of India in the management of the Company. This agreement, which supercedes the agreement date l March 28, 1949, stipulates for the transfer by the firm of the shares, valued at Rs. 30 lakhs, held by them in the Hindustan Tools (Private) Ltd., under the original agreement, on payment to them by the Government of India of the value of the shares together with interest thereon from the date of investment, after deducting the interest already paid and subject to a maximum of the sum equal to the interest on the share capital for a period of five years at 5 per cent.

*

Industrial Disputes and Relations in India: The time-loss due to industrial disputes during December 1956 declined by 38.3 per cent as compared to the preceding month, according to the Labour Bureau, Government of India. The total time-loss during the month was 2¾ lakh man-days. This figure was also lower than the monthly average time-loss during 1955 by about 43.1 per cent. The number of fresh disputes during the month was 78 and those involved 35,880 workers. The corresponding figures during the previous month were 83 and 29,938 respectively.

*

Development of Sericulture and Handicrafts: Schemes for the development of cottage industries, in respect of handicrafts and sericulture, for the year 1957-58 prepared by the various State Governments have been discussed between the representatives of the Ministries of Production and Finance, representatives of the All-India Handicrafts Board and the Central Silk Board and of the State Governments in a series of meetings held in New Delhi in the last few days. About 165 such schemes in connection with development of sericulture were received by the Central Silk Board from the various State Governments while the All-India Handicrafts Board received about 200 schemes for the development of various descriptions of handicrafts.

NEWS IN BRIEF

INDIAN

The production and despatches of sugar at indigenous factories amounted to 11.69 and 6.35 lakh tons up to February 28, 1957 in the current season as against 10.67 and 5.98 lakh tons respectively in the corresponding period of the last year.

*

The Indian Standards Institution has issued for eliciting comments a draft Indian standard specification for ready mixed paint brushing, oil gloss, genuine zinc oxide, for general purpose.

*

A Financial Agreement was signed in New Delhi recently between the Government of India and the Government of the Union of Burma.

*

The total required road mileage for India under the Nagpur Road Plan is 3,31,000 (of which the surfaced mileage is 1,23,000).

*

At the beginning of the first Five-Year Plan, India's total road mileage was 2,48,509 (with 97,546 miles of surfaced roads) which rose to 3,16,668 (with 1,21,617 miles of surfaced roads) at the end of the plan period.

*

Under Community Development Projects and National Extension Scheme, a total road mileage of 44,259 (of which 6,120 was surfaced) was constructed during the first Plan period.

*

During the first Plan period, 30 major bridges on National Highways and 3 on other roads in the Central sector were constructed and 42 bridges were in progress at the end of the first Plan which will be completed during the second Plan period, and, in addition, construction of about 72 major bridges will be taken up.

*

Under the second Plan, a provision of Rs. 55 crores has been made for the development of National Highways which will include construction of 1,200 miles of missing links and 114 major bridges and improvement of 4,000 miles of existing sections.

*

For the development of the gur and khandsari industry, the Ministry of Production has sanctioned grants and loans amounting to Rs. 4,90,600 to be utilised during 1956-57

*

The Government of India have decided to construct a dam across the river Sankh near the Rourkela Steel Project to augment the supply of water to the steel plant and township being built there.

*

The Government of India have decided to continue for one more year the grant of subsidy for the sale of detoluated benzol as motor benzol to be used as an admixture with petrol.

*

The production of soda ash, caustic soda and liquid chlorine—basic chemicals required for the development of chemical industries required in the country—is to be increased nearly four-fold during the second Five-Year Plan.

*

The Ministry of Production has sanctioned a loan of Rs. 2 lakhs to the Government of West Bengal to implement the scheme for stabilization of the raw silk market.

FOREIGN

World production of tin-in-concentrates in 1956 (including China but excluding Russia) was 174,500 tons or 2,500 tons below the previous year.

*

No new taxes or duties are proposed in Norway in the coming financial year. The Finance Minister proposes to increase the State cost of subsidies from £24.75 million to £29 million, the rise being required to cover the increase in subsidies on milk introduced subsequent to the passing of the current years Budget.

*

The Nigerian Government has proposed removal of the import duty in newsprint and reduction of import duties on cocoa and solid chocolate by 50 per cent in its 1957-58 budget presented to the House of Representatives.

*

It is reported Israel will participate in the Marseilles Fair this year, opening on September, 14. This will be the first time that Israeli firms will be represented at a French trade fair.

*

It is reported US coal production is capable of reaching 1,000 million tons per annum, or double the current rate of production.

*

Canadian newsprint production and deliveries rose substantially in January, production amounting to 558,564 tons, or 6.7 per cent more than the previous January's 523,319 tons.

*

Paper production last year was down slightly on 1955, states the Board of Trade Journal. Weekly average output of all types of paper was 45,382 tons in 1956 against 45,901 tons in the previous 12 months.

*

South African foreign trade totals for 1956, now available, show a deficit of £81.7 million, against £112 million, in 1955.

*

It is reported an agreement on the amount of West German reparations to be made available to Israel in the fiscal year starting in April 1, 1957 has been signed by Bonn.

*

South Africa's total gold and foreign assets in the week ended February 22 totalled £133,836,000 compared with £31,883,000 a week earlier.

*

Italy's industrial output last year rose by 8 per cent compared with 1955, and this despite a comparatively unfavourable year for Italian agriculture and the difficult fiscal situation during the last few months of the year.

*

Consumption of both natural and synthetic rubber in the United States advanced in January to 140,090 tons, a figure 18 per cent higher than the 118,505 tons used in the previous month, and comparing with a total of 132,231 tons for January, 1956.

*

'The Tulsa', Oklohoma Journal reports that free world crude oil production climbed 660,200 barrels daily last December over the November total to bring production to 14,358,400 barrels daily.

*

It is reported that income-tax would be imposed on income from rubber, tea and coffee cultivations in Burma.



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Special Article

AMERICAN FOUNDATIONS IN INDIA

ONE of the striking features of the American way of life is the systematic organisation of private philanthropy. The growth of business and industry in an expanding economy during the last seven or eight decades in the United States resulted in the amassing of large personal fortunes by the captains of industry who, however, diverted a large part of the funds for the welfare of fellow human beings. The same enterprise and ability shown in the development of business was displayed in the organisation of philanthropy so that today it is estimated that there are several thousand active foundations in the United States (seventy-five of them having assets of $10 million or more) devoted to the service of humanity. Non-political and independent, these foundations have exerted great influence in the advancement of human welfare and it will come as a surprise to many that by their experimental activities, they have influenced in many fields social patterns and institutions, private as well as governmental. For example, the Rockefeller Foundation is stated to be not a little responsible for setting the pattern for the public health programmes of the United States and for many of the agricultural programmes subsequently carried on by the States and local governments. While many of these foundations have confined their activities within their country, some of them have transcended their physical boundaries and embraced many parts of the world. An attempt is made here to explain the activities of two of them, the Ford and Rockefeller Foundations that are extending their help to this country in its fight against poverty and for raising the standard of living of the masses.

The Ford Foundation, which was founded in 1936 embarked on a career of an expanded programme in 1951—thanks to the additional resources made possible by increased gifts from its founders—with the following principal objectives: promotion of international understanding and world peace; advancement of economic well-being; expansion and improvement of education; and enlargement of scientific knowledge of human behaviour. Its one major course of action in the contribution to international peace has been to help some of the less developed countries of the world to overcome their low standard of living and learning and its programme of development is conducted entirely in the Near East and South and S.-E. Asia. Apart from India, the Foundation is now making grants for development activities in Burma, Egypt, Indonesia, Iran, Iraq, Israel, Jordan, Lebanon, Nepal, Pakistan, Syria and Turkey. As these countries are faced with more or less similar development problems, the Foundation's grants are marked by a uniform pattern. The main purposes are: improving rural life and educational institutions and practices; increasing the effectiveness of government operations through training and improvement in administration; and encouraging development through research on fundamental social and economic problems. During the last five years, the Foundation has sought to translate these objectives through effective grants and by establishing a flexible pattern of development. It has given assistance in two ways; by making grants to public and private agencies in these countries and by enabling them to make use of expert consultants. The basic consideration has always been to give support wherever it can to democratic endeavours in the several countries aiming at a higher standard of living.

The Foundation's work in India since 1951 lay in assisting the Government with financial aid in a wide range of activities nearly all of which were connected with the Five-Year Plan. Broadly they covered the following five main groups: rural development with special emphasis on training men and women for village work; development of small industries; advancement of education; strengthening of public administration and cultural interchange. The total grant on these heads so far has been of the order of about $17 million. The Foundation after formulating the programmes in consultation with appropriate Government agencies that are consistent with its objectives makes available financial assistance and once the programme is launched, it is directed and administered by the Government. All the projects supported by the Foundation are designed to be continued on a permanent basis even after the termination of the Foundation assistance. The method of financing is generally based on the following pattern. The Foundation makes funds available over a period of three years paying all costs in the first year, half in the second year and one-third in the third year. The Union and State Governments make up the balance and bear the entire cost of the projects after assistance from the Foundation stops. Apart from Government, a few special projects involving private agencies have also been granted assistance.

Among the various Government projects to which the Foundation has lent assistance, special mention must be made of the rural development programme and small industries development. The Foundation has assisted in 15 pilot projects which the Ministry of Agriculture proposed as the forerunners of the present community projects and the subsequent National Extension Service. Apart from the projects, the Foundation has given support to the programmes for training men and women at all levels for rural development work. It had also assisted in the setting up of an Evaluation Organisation by the Planning Commission to evaluate the methods and effectiveness of rural programme as a guide to future planning. For development of small industries, the Foundation sponsored late in 1953 an international study and planning team which visited the country and drew up a comprehensive plan to revitalise the industry. Many of the proposals of this far-reaching programme have been put into action by the Government. The Foundation has sanctioned grants not only to provide architectural services in the constitution of the four institutes proposed by the team but also for the purchase of equipment and for the services of foreign consultants. Among other projects aided by the Foundation, mention should be made of its contribution in the field of education, research in economic and social sciences, public administration and in book publishing. With regard to public administration, the Foundation sponsored the visit of Mr. Paul Appleby whose report has helped the Government considerably in their several important reorganisation proposals in administrative structure and methods. It has also made available funds to the Institute of Public Administration in financing its programme which includes the training and foreign study of administrative persons selected by the Government. In the matter of book-publishing, it has sanctioned a grant to the Southern Languages Book Trust to sponsor the publication and distribution of good books at low cost in the four regional languages of the South. Apart from these, the Foundation awards annually fellowships to young Americans for studying special aspects of Indian affairs and assists American Universities to carry on research in India which would

(Continued on page 384)

A Letter to the Editor

"ANOMALOUS POSITION OF THE SECRETARY UNDER THE COMPANIES ACT, 1956"

Sir,

One company in New Delhi and a banking company in Lucknow have written to me questioning the correctness of the undermentioned passage in my contribution which was published in 'The Eastern Economist' dated November 16, 1956.

> "For one thing at least his responsibility is full. For example for failure to give notice in writing to the company as required by section 308(2) making disclosure of his shareholdings he will be like them risking heavy punishment of imprisonment for a term which may extend to two years or fine which may be up to five thousand rupees or both."

The first company states that on a reading of section 308(2) no such provision, as has been quoted by me, is found in the Act which casts responsibility of the nature referred to. The second company says my remarks do not appear to be correct because section 308(2) requires the formality to be observed only by directors or by a person who is deemed to be a director in terms of section 307(10)(a).

I wish to clarify the position thus—

Failure to give notice in writing, making disclosure of shareholdings, is stated by section 308(2) and the punishment is prescribed in sub-section 308(3). Sub-section 308(1) says that "every Director of a company, and 'every person deemed to be a Director' of the company, by virtue of sub-section (10) of section 307, shall give notice, etc." And sub-section 307(10) says that "any person in accordance with whose directions or instructions the Board of Directors of a company is 'accustomed to act', shall be deemed to be Director of the company". Surely, the Secretary being the person on whose directions the Board is generally accustomed to act, shall be deemed to be a Director of the company. It may be that the Secretary's advice may not always be acted upon, or in full. Anyway, "for the purposes of this section (307)," he is a person to be deemed a Director. Para 5.013 of "A Layman's Guide to the Indian Company Law" published under the authority of the Government of India says in this connection. The Directors will ordinarily be held to act according to the instructions of a person (Secretary), if they are in fact in the habit of doing so, not out of love and affection, but because of any influence which that other person may exercise over the Directors 'by reason of his shareholding or otherwise'. Surely we are dealing only with Secretaries who hold shares and who are also in the position of exercising some influence over the Directors by virtue of their considerable knowledge of the respective companies' affairs.

And for default made in complying with sub-sections (1) and (2) of section 307—to maintain a register of directors' shareholdings, etc.—every "officer" of the company who is in default is punishable. The punishment for such default stated in sub-section 307(3) is for default in maintaining the Register, while the punishment for the Director concerned, and one deemed to be a Director concerned for the purposes of the section, is prescribed in sub-section 308(3)—imprisonment for a term which may extend to two years or fine which may extend to five thousand rupees or both. This is one reason.

There are still better reasons for the conclusions I have drawn. I have explained in detail in my original article how under the Companies Act, 1956 the Secretary is ranked equally with the Manager or as an alternative to him and also for certain purposes specified in many sections he is bracketed not only with the Manager but the whole hierarchy of managing personnel: director, managing agent, secretaries and treasurers, etc. Please see the definition of "officer" in section 2(30) and the definition of "responsible officer" in the Companies (Central Government's) General Rules and Forms, 1956 in Clause 2(1)(v) (b).

Now dealing particularly with the register of shareholdings and disclosure by the "officers" of the company, regarding such details to enable the company to maintain such a register, I have to invite your attention to Forms 32, 33 and 34 prescribed by the above mentioned Rules and Forms, 1956. Form No. 32 purports to be "Particulars of Directors, Managing Directors, Managing Agents, Secretaries and Treasurers, Manager and 'Secretary'—pursuant to section 303". Column 5 of this Form may also be noted where other directorships, managing agencies, secretaries and treasurerships, managership and 'secretaryship' are clubbed together. There are similar features in Form 33 where there are "Alterations in the particulars" of exactly similar officers. Again in the title to Form 34, regarding the maintenance of another register, pursuant to section 306, similar characteristics are seen.

So, where in the Act, for certain purposes, all these offices are clubbed together and a punishment is prescribed in the same section for any default by any of them, it should be reasonable to infer that every one of them must merit the same degree of punishment for the same kind of default. An argument will be necessary only if one says that the Secretary alone among all these officers is to be treated differently: no section in the Act makes such specific discrimination for a lesser liability to the Secretary for a common default by the company or a common kind of default by individual "officers" of the company.

It will be seen therefore, that while the framework of the statute seems to impose equal liability on the Secretary for defaults only, as in the case of the other "officers", the Secretary is discriminated against for all other advantages or remuneration, etc. that are the privileges of the others to enjoy. Hence my development of the theme 'Anomalous Position of the Secretary.'

Yours faithfully,

C. V. NARAHARI RAO

COIMBATORE,

March 8, 1957.

The Business World

MORE ABOUT THE U.S. TRADE MISSION

By

(CROESUS)

THE US Trade Mission has been here for a full week and though nothing concrete can be said to have emerged as a result of the discussions, I am in a position to state that there is now a better understanding of the respective points of view among Indian business men and the members of the Trade Mission. This is very important because, as more than one Chairman of the commercial bodies with which the Mission had discussion pointed out, a technically and industrially advanced country such as the US can be of immense benefit to an underdeveloped country such as India and that too especially at the present time when the latter country has an ambitious plan of economic development in the form of the second Five-Year Plan.

As has been pointed out in the columns of 'The Eastern Economist' ere now, it is becoming quite clear that India will have to depend more on imports of American capital goods than on those from other countries, not excluding West Germany. It is not that European countries like the UK, West Germany, and, for that matter, even East Germany, are not prepared to export capital goods to this country. But their commitments, especially in the case of the former two countries, in respect of military responsibilities connected with the NATO, might not enable them to increase their exports of capital goods to this country to the extent that they might wish and we might desire. But this is not the position in regard to the USA.

Mr. G. P. Kapadia, Vice-President of the Indian Merchants Chamber, observed last week, when the members visited the I.M.C., that America has "abundant capital resources, invaluable experience and technical know-how mastered through many years of industrial development and technological advancement and, above all, the willingness to assist underdeveloped nations in the task of reconstruction. It is a recognised fact that foreign investment has great potentialities for speeding up economic development and raising the standards of living of the underdeveloped countries. It is, therefore, essential that the advanced countries like the USA should take the leadership in promoting these high levels of trade that will bring to all the economic strength upon which the freedom and security of all depends".

It was appropriate that on the same occasion Mr. Kapadia should have also surveyed the trade between the two countries in recent years to provide a background to the prospects for expansion in the volume of Indo-US trade. India's share in the US total imports is barely two per cent. But even so, India supplies to America a large variety of strategic and essential materials, such as Manganese, Mica, Jute, and, Tea, among others. In return, India imports from the US industrial and other machinery, vehicles, patroleum products, etc.

The break-up given alongside of imports and exports for the years 1954-55 and 1955-56, which Mr. Kapadia gave, provide a comprehensive picture of the present pattern of Indo-US trade.

Incidentally, the I.M.C. Vice-President dwelt too on India's intensive efforts lately to find new markets for Indian products of semi-manufactures in the U.S.A. as in other advanced countries and made a passing reference to the gradual decline in the exports of some of our traditional items to the U.S.A., thanks to the emergence of synthetic substitutes, but, at the same time, he added, the position has been retrieved, to some extent, by exports of home furnishings, handloom fabrics etc. on a steadily increasing scale, and it is expected that, ere long, there might be a growing market in the U.S. for Indian teak furniture, arts and crafts and other cottage industry goods. Some of the members of the Mission themselves pointed to the growing market in America for these typically Indian goods, and it is to be hoped that the possibility of introducing these goods on a larger scale in the American market will be thoroughly explored and that the Mission will interest American business men to go in for more and more of these goods.

It is very necessary that America should take more of Indian goods if India is to be enabled, in her turn, to import capital goods from America in order to implement the second Five-Year Plan. During the second Plan period, it has been estimated that India's requirements of capital goods from abroad, including those for replacement, would amount to Rs. 16,000 million, which gives an idea of the amount of foreign exchange that is necessary even after taking into account all the conceivable foreign exchange earnings that India can account for during this period by special export drives and so on.

But our problem is not only one of foreign exchange but also of getting our supplies of capital goods on long-term credit from our overseas suppliers; the minimum period for which such credit is needed is seven years, as the Government of India has indicated. Mr. Kapadia did very well, therefore, in asking the Mission to explore the possibilities of securing phased long-term credit. In this connection, it is of interest to refer to what Mr. Robert W. Kerr, one of the members of the U.S. Trade Mission, said, when he met members of the Maharashtra Chamber of Commerce. As a result of their talks with Indian business men, he said, the members of the Mission would be able to make certain

	(In Million Rupees) 1954-55	1955-56
IMPORTS FROM THE USA		
Machinery	129.3	165.4
Sulphur (Brimstone)	16.9	19.1
Drugs and Medicines	27.4	22.9
Wheat	12.9	44.1
Copper (Unwrought)	19.4	21.7
Copper (Wrought)	10.4	9.1
Lubricating Oils	40.5	26.7
Motor Spirit	19.3	14.9
Vehicles	55.9	58.8
EXPORTS TO USA		
Hides and Skins	24.8	23.5
Shell	10.1	12.8
Manganese Ore	78.9	40.6
Mica	21.3	36.1
Pepper	47.3	23.1
Tea	10.4	67.8
Jute manufactures	561.2	601.0
Raw wool	34.9	39.2

recommendations to private U.S. investors that might increase the flow of U.S. capital to India. But he took care to add that one of the best ways to attract U.S. capital to India was to make the deal attractive to American business men. I do not know, as it was not possible for me to be present at this meeting, whether Mr. Kerr dilated on how to make the deal attractive. He also wanted Indian business men to remember that India was competing with several other countries for U S investment and that, therefore, unless India's terms were competitive, the American business man might prefer or find it more attractive to invest elsewhere. But Mr. F. Preston Forbes, the Leader of the Mission, mentioned, in the course of his talk to press men, the example of Netherlands Government, which has introduced many incentives for getting foreign aid, and listed concessions in taxation and assurances as to availability of labour. His reference to concessions in taxation provoked a pressman to ask him whether he found Indian taxation very high, to which the Leader of the Mission replied. "Your taxation is not certainly low". As regards availability of labour, there should be no difficulty with all the surplus manpower — there is an annual accretion of two million to the working population alone — that India has. While this is perfectly understandable, it is a moot point whether India would be able to offer the same terms as, say, for instance, some of the other American countries, where the return of outlay is believed to be as much as 18 to 20 per cent!

It seemed to me that on the specific question of long-term credit, Mr. Kerr, who said that this was the one question that the Mission was confronted with wherever it went, was rather doubtful of the extent to which American manufacturers would like to sell on long-term credit to a distant market, especially when they have not only a vast material market but also relatively more attractive market nearer at hand. Nevertheless, it is significant that he made a specific reference to certain private U.S. banks which were coming forward to lend money to enable overseas buyers to purchase in America, and cited the instances of the Air-India International buying Boeing Air-planes with the help of these banks. Here is a field of suppliers' credit that needs further exploration.

Any effort at expanding the volume of Indo-American trade, it must be noted, is worth while not only for this country but even for America itself. America must realise and the talks of the Trade Mission convinced one that America has done, so, that a stage has been reached when the production potential of America has far surpassed the needs of even her vast internal market and must needs have a growing export market for an outlet; otherwise, there would be a hiatus, if not a complete halt, in the further expansion of the U.S. economy. In other words, it is not improbable that the American economy would cease to be dynamic which, I daresay, is something that no sane American would view with equanimity.

Finally, reference must be made to the imperative necessity for the conclusion of the long-pending Indo-American Treaty of Friendship and Commerce, which, as Sir Chunilal B. Mehta remarked, at the reception to the Mission accorded by the Bombay Rotary Club, 'is the best means of guaranteeing increased trade between the two countries'. The need for this has been stressed time and again by the commercial bodies in this country. I very well recall the speech made on June 19, 1946 by Mr. Mahomed Husein Hasham Premji, the then President of the Indian Merchants Chamber, when the Chamber representatives met the late Sir Girja Shanker Bajpai, who was at that time Agent-General to the Government of India in the United States of America, when he declared that the problem of Indo-American commercial relations would be more fully solved by entering into a direct treaty of commerce and navigation with America. The proposals in regard to such an agreement had been put up some years even before then. But it is not known at what stage the proposals for such an agreement stand. It would make an interesting disclosure if the authorities, both in India and America, were to go into this question and give a statement as to the history and fate of the said proposals.

(Continued from page 381)

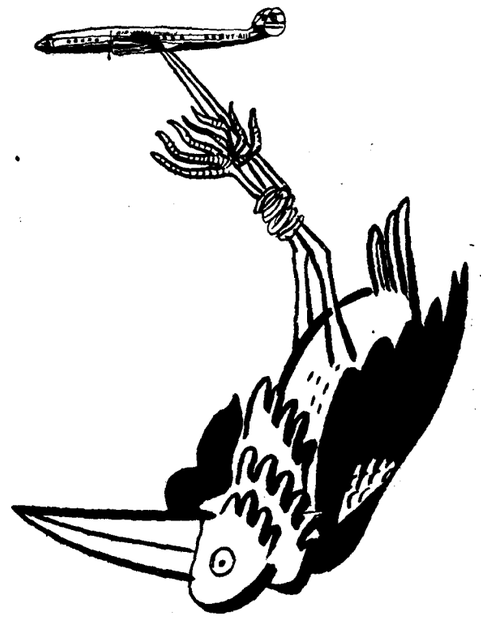
help in building a sound body of knowledge on Indian problems.

Created in 1913 by a special Act of the legislature of the State of New York as a separate body to "promote the well-being of mankind throughout the world", the Rockefeller Foundation has confined its activities to certain special fields like public health and medical education, biological and medical research, agriculture, the humanities and the social sciences. The Foundation has always laid emphasis on encouraging talent and the development of leadership and with this object has awarded a number of fellowships and travel grants which have been held by individuals from 98 countries and territories.

The Foundation's work in India started in 1920 in Madras Presidency with hookworm studies and control measures and since then its activities have expanded considerably. The health and medical programmes of the Foundation have always been carried on in co-operation with the Central and State Governments. Emphasis in the earlier period was given to public health services, field studies and the training of personnel. But recently, it has given support for research in virus diseases, medical education and research and population studies. The Foundation has contributed towards the building and equipment of the All-India Institute of Hygiene started in Calcutta for public health training and research. It is also co-operating with the Indian Council of Medical Research which has established a virus research centre in Poona. With the importance the Foundation has attached to the training of personnel, it has awarded a number of foreign fellowships in professional education, public health administration and biological and medical research. Further, as the best means of assisting the further development of medical education in India, it has now decided to concentrate its programme in a few medical colleges.

Although the Foundation has so far paid more attention to the medical and public health fields, recently it has widened its activities. It has now been decided that the Foundation should offer its co-operation to the Indian Ministry of Agriculture in the work of the Agricultural Institute at Pusa. Here it will give its assistance not only in the Institute's research activities but also in the training of personnel. Besides these, it has also lately interested itself in the social sciences and humanities and has given grants to several universities and educational bodies. Mention should be made here particularly of a grant from the Foundation which will aid a field study of population dynamics in India carried on by Harvard University with the co-operation of the Government of India and the Christian Medical College in Ludhiana. The Foundation has so far spent more than five million dollars by way of projects and grants-in-aid, fellowships and travel grants.

Apart from the Ford and Rockefeller Foundations, there are also other American Foundations which have contributed in smaller ways either through financial assistance to several needy projects in India or by the award of fellowships and travel grants to deserving individuals. The work of these institutions may not be spectacular, but it is bound to have lasting effects, thus cementing further the friendship and bonds of goodwill between Indians and Americans.



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Economic Report from the U. S.

FOREIGN AID

(By GUY SIMS FITCH)

WASHINGTON, March 6.—Foreign aid is a much-discussed subject in Washington these days. Within recent weeks, a number of studies in this field—among them congressional studies—have been issued, and more are due to come. What may turn out to be the most significant of these is a report to President Eisenhower by his citizen advisers on the Mutual Security programme, headed by Benjamin E. Fairless, one-time steel company executive.

The report, culminates five months of intensive examination of the foreign assistance activities of the US Government. The Fairless report makes no pretense of being a detailed analysis of every aspect of this highly complicated subject. But it is a cogent statement of broad policy objectives and methods. And since its authority stems from the President himself, a number of its recommendations may be translated into specific legislative proposals to Congress. Those who believe in the wisdom of US foreign aid, programmes can take considerable comfort from the Fairless report. Its main conclusion is that these programmes, both in their economic and military phases, must be continued as long as world conditions require. But he leaves little doubt that foreign aid will be with US for years to come.

Behind this view is the conviction that foreign aid Plays a distinct part, along with liberal trade and investment programme, in the economic advancement of free nations, and in the maintenance of their collective security. Once this is said, the question remains of how mutual assistance can best be carried out. Here, the Fairless report recommends long-term loans as consistent with the desires of most recipient nations and in keeping with lasting economic improvement efforts. Outright grants would not be ruled out, but would be used only in exceptional cases where loans are not feasible.

More careful selection of projects receiving American assistance, financial or technical, also is considered important in attaining the twin goals of flexibility and efficiency. Some 2,000 aid projects are authorized annually—a number of, Fairless believes, could be reduced substantially. Instead, the Fairless group recommends concentration on those projects which give promise of achieving the most lasting and beneficial results. Stress would be placed, particularly, on projects that further the self-help efforts of recipient nations. Just how much aid can the United States afford to give? Assuming that world conditions stay pretty much as they are, Fairless considers the present annual spending rate of $7,900 million feasible and adequate. This is broken down into $3,900 million for military assistance, $1,700 million for purely economic aid, and $2,300 million for the support of US Agencies abroad.

In time, however, as other free countries become stronger economically, the expectation is that they will need less direct aid from the United States. And as future progress leads to reductions in government operations Fairless looks forward to a corresponding expansion of private activity in the United States and other countries.

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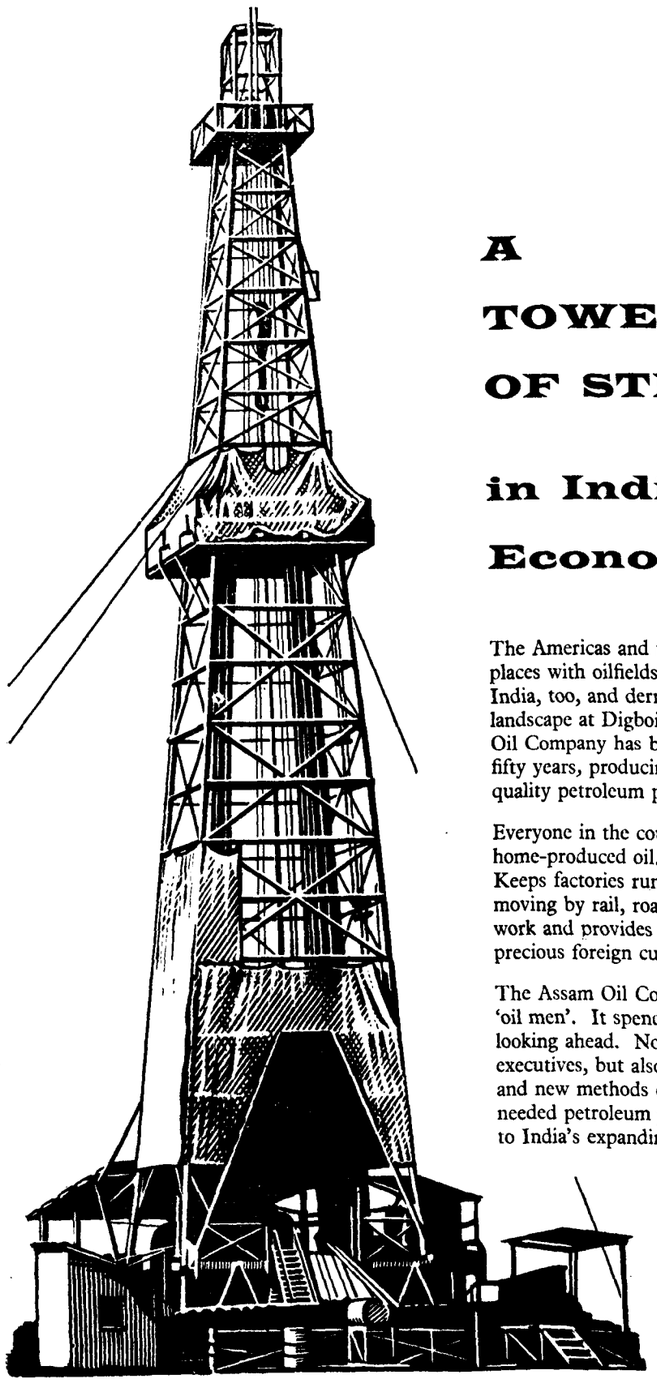
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in India's

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.

B.O.C

A member of the Burmah Group of Oil Companies

ASSAM OIL COMPANY

BUSINESS NOTES

EGYPTIAN COTTON IMPORTS

CONSIDERABLE GROUND appears to have been covered in the negotiations between the textile officials in Bombay and the members of the Egyptian Trade Mission which has just come to this country. Although lacking official confirmation, it is strongly suggested in market circles that the Egyptian Government would be only too willing to extend any concession towards increasing Indo-Egyptian trade on a sizable scale. The very cordial relationship that exists between the two countries, thanks to the stand taken by India in the West Asian turmoil, with particular reference to the Suez Canal, is expected to pay rich dividends in the matter of smooth trade negotiations between the two countries. In respect of import of Egyptian cotton, it is now reliably learnt that the Mission has expressed itself in favour of giving a discount of 7 per cent in price, of which 6½ per cent would go to the trade, while the balance might be retained by the Government of India.

If the price discount as mentioned above becomes a fait accompli — for some reason, the trade is still insisting upon a higher price discount of 20 to 25 per cent — it is quite possible that a sizable volume of Egyptian cotton imports would become the order of the day. The recent increase in the export duty imposed by the Government of Sudan on cotton and the virtual ban on the import of East African cotton are two factors which should help considerably in the import of Egyptian cotton into India. If it is also possible for India to effect payment in rupees, as there is reason to believe it might turn out to be eventually, then the final hurdle would have been crossed to make a beeline for an uninterrupted inflow of Egyptian cotton.

A very significant aspect of the Indo-Egyptian trade which has not so far figured in the negotiations between this country and Egypt is the proposal that the State Trading Corporation should have a say, if not a controlling authority over any deal between the two countries. Thus, it would seem that though direct trade between the traders of the two countries would be allowed to continue as heretofore in the normal way, such might not be permitted without the express approval of the Corporation! The implied consolation is that traders might not be hampered by red tape at every stage of a given transaction even if no deal could be transacted without the knowledge and approval of the STC.

SUGAR FOR EXPORT

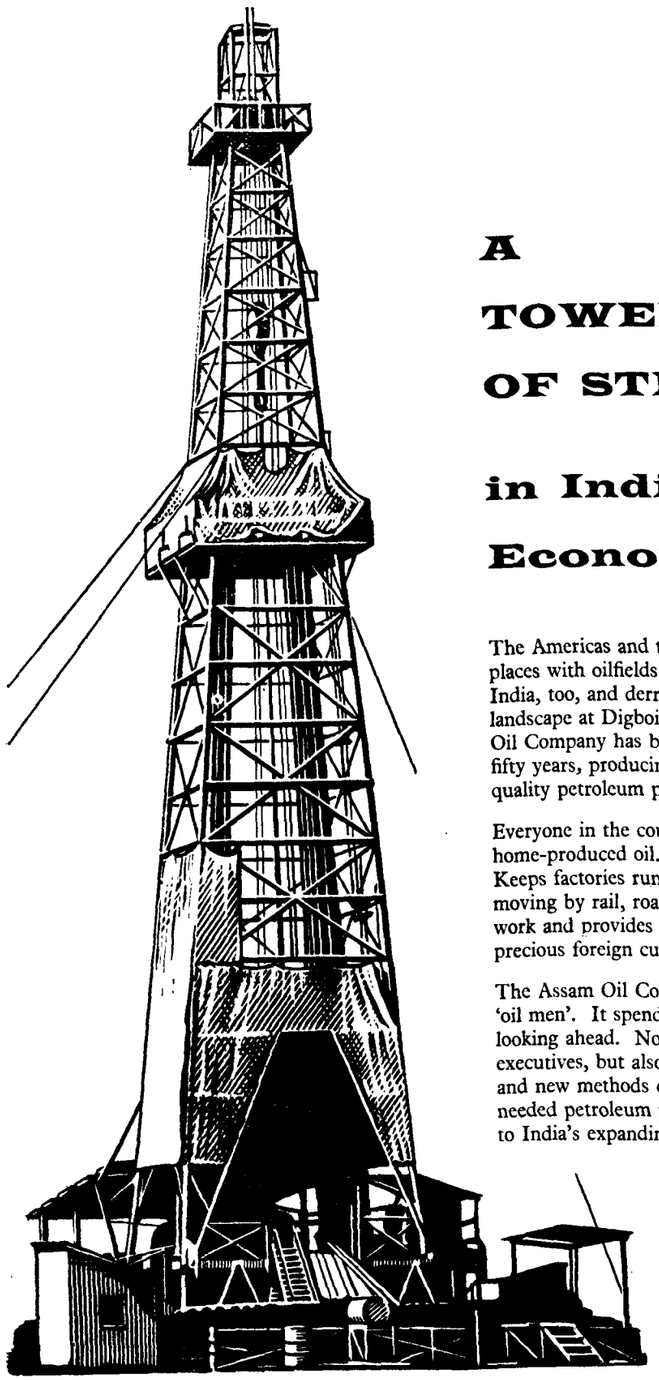
IT IS a matter of considerable significance that India is gradually turning into an exporter of sugar when till lately she was not able to match her production with the rising domestic demand, following decontrol towards the end of 1952. Between the first and the last years of the first Plan period, the rise in consumption was well over 50 per cent, from some 11.7 lakh tons in 1951-52 to an estimated 19 lakh tons in 1955-56, without a commensurate increase in production. The year 1953-54 was particularly disappointing when production had slumped to as low as 10 lakh tons, or over a lakh tons less than in 1951-52. The huge imports over the years represented a large drain on the country's foreign exchange resources. In 1955-56, however, the comparatively high prices of cane provided incentives to the cultivator to grow more. Sugar production attained the all-time peak of 18.5 lakh tons with the result that prices tended to come down. The shortage of wagons on the N. E. Railway in the early part of the selling season also depressed prices. The export surplus that has now emerged, of which some has been sold and partly shipped to the United Kingdom is, therefore, a welcome development.

That the exportable surplus needs to be boosted further cannot be over-emphasised. For one thing, the elimination of imports cuts off a heavy burden on the foreign exchange. For another, the country can earn some of the coveted foreign exchange, even though it cannot be of any very substantial extent, in view of the envisaged production capacity of 25 lakh tons against an estimated domestic consumption of 22.5 lakh tons at the end of the current Plan. Nevertheless, the steps that the Indian Sugar Mills Association is taking for creating a stable and regular foreign market are commendable. The Associations' President, Mr. S. S. Kanoria, has recently stated that everything would be done rigidly to adhere to specifications and good packing of sugar for export. A remarkable step envisaged is the pooling, in a special fund, of all profits earned from the export for its promotion. Given good sugarcane crops, and improved culture for increasing the sucrose content, the sugar industry may be expected to play its role satisfactorily in the coming years.

COMPROMISE ON PLANTATION AWARD

EVER SINCE the publication of the award of the Special Industrial Tribunal for Plantations on October 24, 1956, the plantation industry has had to pass through a period of stress and strain. The magnitude of the harm that would be done to the plantation industry if the award had been implemented with retrospective effect from March 1952 cannot be underestimated. It had been calculated that the Madras Plantation Companies would have to pay about Rs. 12½ crores to labour as per the award besides having to meet the increase in the annual wage bill of about Rs. 2½ crores. Barring perhaps Bombay Burmah, it would not have been possible for any other company to pay up the arrears without resorting to borrowing on a heavy scale. And, what is more, since the margin of profit, by the increased cost of production as a result of the higher wages to be paid to labour, would be reduced by about 5 as. per lb. of tea there would be very little left for the shareholders, who had put their capital anticipating a return of 7 to 8 per cent thereon.

It is against this background that one has to judge the extent of relief that the latest compromise on the award has brought to the plantation industry as a whole. Shareholders and investors in plantation companies, especially at Madras, heaved a sigh of relief at the amicable settlement of this outstanding dispute between plantation labour and management. The award provision regarding payment of wages with retrospective effect has been given a decent burial and this has been particularly welcomed by the Management. On the part of labour also, there is not much room for grouse. Inasmuch as the revised scale of wages would take effect from the date of the award, viz. October 24, 1956, labour stands to gain the immediate benefit of the payment of the difference in wages between that date and the date of the compromise in question. Labour has also gained another round, namely, in respect of the revised contribution of provident fund. As against the Central Government's earlier notification, extending the provident fund facilities to labour in the plantation industry, effective from May 1, 1957, the compromise award makes it effective from January 1 this year. As regards other terms of the compromise, it has been generally accepted that the bases adopted for the areas under the three important plantation products provide a new



A TOWER OF STRENGTH in India's Economy

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standard for fixation of wages which might be expected to be adopted by the adjacent States of Kerala and Mysore, in due course. With the accord obtained by this compromise, there is a complete transformation in the outlook of the plantation industry.

LOAN TO AIR INDIA INTERNATIONAL

IN ORDER to maintain its competitive services among the airlines serving India and to standardise the Corporation's fleet, Air India is purchasing three Boeing long-range jet airplanes (model 707-420). For this expansion, the AII has arranged to borrow $16.8 million to finance the dollar costs of these jets The loans will carry the guarantee of the Government of India. The borrowing was a joint operation whereby five United States Commercial Banks granted Air India a credit of $11.2 million and the World Bank, under a separate agreement, lent the Corporation $5.6 million. The Boeing aircrafts which will be due for delivery in 1960 are to be equipped with Rolls Royce engines and the total cost, including spare engines and parts is estimated at $23 million, out of which $22.1 million will be in foreign exchange (16.8 million in dollars and the equivalent of $5.3 million in sterling). The commercial banks loans are repayable between 1960 and 1962 and the World Bank's between 1965 and 1966. The World Bank loan bears interest of 5½ per cent per annum including the 1 per cent commission charged by the Bank. For financing the sterling requirements, Air India International is in consultation with the Government of India. It is hoped that with all the financial reputation that the company commands it would not be difficult for it to secure the sterling finance.

This loan is not the first of its kind granted by the World Bank to an air company. Quantas Airways of Australia received a similar type of loan from American International investors and the World Bank in November 1956. The only difference in the two loans is the rate of interest charged. While Quantas could raise the loan from American institutional investors and the World Bank at 4¾ per cent, the Air India International will have to pay 5 per cent to the Commercial Banks and 5½ per cent to the World Bank. If the progress of air travel and the AII's increasing share in it is kept in mind, it seems certain that this investment would be fully self-liquidating in a reasonably short period.

That Air India International has been making striking progress is sufficiently proved by its balance sheets. The cut in foreign exchange allowance for travel will affect the company's revenues in the sense that some of the existing clientele will fall off. But its optimism about acquiring larger traffic adequate to raise the frequency of service from 6 to 7 per week shortly is based on sound expectations.

THE BANK OF INDIA

A PARTICULAR feature of the banking business in 1956 was monetary stringency which became more and more pronounced as the year progressed and has extended into the current year. The prevailing ratio of advances and bills discounted and purchased to the deposits of all scheduled banks at 75 per cent is the highest since the Reserve Bank started publishing the figures in 1935. An inevitable result that followed was the rise in interest rates on deposits without a rise of similar extent in the rate of interest on advances. In February last, the Reserve Bank raised, by half a per cent to four per cent, the rate at which it would grant loans to banks against Government securities, leaving the Bank Rate unaltered. Rather than facilitate banks to raise their rates on advances, this measure creates a difficult position inasmuch as the banks are obliged to issue notices to their customers when they decide to increase the rates. Understandably enough such a course cannot be palatable to either side.

In his annual speech Sir Cowasjee Jehangir, Chairman of the Bank of India, referred to various features of banking in 1956. Among other developments during the year, like the increase in rates of stamp duty on usance bills of exchange and usance promissory notes, the Finance Act (No. 3), which was enacted in December last, makes it obligatory for business companies to make compulsory deposits with the Government in certain circumstances. This provision is likely to produce its own repercussions on the deposits of scheduled banks. It is not difficult to see that this may aggravate the tight money conditions and thus create further hardships for trade and commerce.

During the year the Bank of India witnessed a satisfactory growth in business from Rs. 89 crores in 1955 to Rs. 96 crores in the year. There was a corresponding increase in the profits, after all appropriations, which stood at Rs. 92 lakhs, about Rs. 7 lakhs more than the preceding year's figure, and higher than any previous year. The total dividend for the year is 16 per cent, free of income tax, and to the Reserve Fund has been added Rs. 8 lakhs, making it amount to Rs. 310 lakhs. Considering the difficult phase through which banking business had to pass last year, this represents an achievement

ELECTRIC FANS

IN A hot country like India fans are rather a necessity than a luxury. This bodes well for the future of this industry. But its progress during the first Five-Year Plan was below expectations, even though there was a considerable production increase. Perhaps, this was due to the slump that the industry faced during 1952-53 after the termination of the Korean War. It is, however, hoped that the target of 600.000 fans per year by the end of the second Five-Year Plan would be achieved without much difficulty. The present capacity is 4,01,700 and the 19 existing units, with their expansion programmes, will be able to meet the total demand.

Shortage of raw materials often creates problems though the situation has improved during the last five years. At present 20 per cent of the raw material requirements (like electric winding wires, carbon brushes and capacitors) is being met by imports. A beginning has already been made by a unit in Calcutta and another in Bombay in producing synthetic enamelled winding wires. The State-owned heavy electrical plant has under consideration a proposal for the manufacture of insulating materials. Shortage is also experienced in hard coke, pig-iron and electrical steel sheets.

It was recommended in the first Plan that a rebate should be allowed on import duty paid on raw materials used in the manufacture of fans for export. Though necessary legislation was passed, the Government has been tardy in enforcing it. A relaxation of the rules is necessary in view of the fact that we are trying to create an export market as well. The second Plan has estimated an export of more than 40,000 fans by 1960-61. The popularity which our fans, particularly the ceiling type, have gained in some neighbouring markets has shown that we can compete with other countries. In 1955 we exported 17,318 fans valued at Rs. 20.3 lakhs to as many as thirty-three countries. Singapore was the largest importer. Among other countries which imported fans in substantial quantities were Ceylon, Kuwait, the Sudan, Malaya, Nigeria, the Bahrein Islands, Tanganyika and Zanzibar.

Company Meeting

THE BANK OF INDIA LIMITED
BOMBAY

Speech of the Chairman to be delivered at the Fifty-first Annual General Meeting of the Shareholders of The Bank of India Limited on Thursday, 7th March, 1957.

Ladies and Gentlemen,

With your permission the balance-sheet may be taken as read.

At the time of our Annual General Meeting in 1956 the currency in circulation was Rs. 1,406 crores, whilst at the corresponding time in 1955 it was Rs. 1,241 crores. This year it is Rs. 1,515 crores. The increase on last year's figure is Rs. 109 crores. I consider that the substantial needs of the second Five-Year Plan have tended to prevent an increase of this order from spelling material inflation.

The year 1956 saw a major event in State ownership. This was the nationalisation of life assurance business in India from 19th January, 1956. There was a transition period during which, until the inauguration of a Government corporation with legal status, Government custodians managed the life assurance business through the organisations of the old life assurance companies. A body corporate, the Life Insurance Corporation of India, was brought into being by an Act called the Life Insurance Corporation Act, 1956, and functioned from 1st September, 1956. On that date, the Corporation took over fully, the interim period ended and the operation of nationalising life assurance in India was completed. The matter of compensation to the old companies remains.

A far-reaching event in 1956 and one which intimately concerns the Bank was the coming into force from 1st April, 1956, of the Companies Act, 1956. Some of the provisions of this voluminous legislation are most complicated and not easily carried out. Your Directors have devoted much attention to meeting the requirements of the Act. The Extraordinary General Meeting of 11th October, 1956, for the bonus issue passed some resolutions to meet the Act. You will see further evidence of the Act's requirements in the Agenda of this Meeting.

The year has seen further taxation imposts and Government restrictions. In my speech last year, I spoke of the Finance Bill for 1956—the Budget—which had just then been introduced. It provided for substantial increases in taxation, particularly on companies. In December, 1956, supplementary Finance Acts, called Finance (No. 2) Act, 1956, and Finance (No. 3) Act, 1956, were enacted. They enhance the existing burdens on free enterprise. The No. 2 Act, amongst other things, greatly increases the rates of stamp duty on usance bills of exchange and usance promissory notes and can, therefore, be said to be "in restraint of trade" so far as the banking business is concerned. The No. 3 Act will oblige companies to make compulsory deposits with the Government in certain circumstances. If I may be permitted to use a somewhat srtong expression I would say that this is the adoption of the principle of "forced loans" to the Government of the country. I do not think I am alone in this view—or in my rooted objections to the principle. This legislation will also have the effect of aggravating the already very tight money conditions to which I will refer later. The Act also resurrects the Capital Gains levy which was in force from 1946 to 1948. In the latter year it was allowed to become dormant. There was then a recession in trade. I imagine the levy ceased to produce much revenue to the tax-gatherer. In the present resurrection the impost is tightened in that the minimum amount of capital gains assessable is reduced from Rs. 15,000 to Rs. 5,000. The Act also enhances further the burden of the tax on dividends paid by companies levied by the main Finance Act of 1956, passed earlier in the year.

The Banking Companies (Amendment) Act, 1956, was enacted at the end of 1956 and came into force on 14th January, 1957. The main Banking Companies Act, 1949, gave the Authorities wide powers over banks. The amending Act enhances these powers. The Reserve Bank of India is empowered, under certain circumstances, to order that a general meeting of a banking company be held to elect fresh directors and any such election duly held "shall not be called in question in any court". This is autocratic legislation. It is not the first example we have had. To take redress out of the control of the courts is undemocratic, to say the least. It is against the canons of justice as we know them. It is a dangerous practice to have started. It is a dangerous practice to develop. The appointment or remuneration of a managing or whole-time director or manager or chief executive officer of a bank must now have the approval of the Reserve Bank of India. An officer of the Reserve Bank of India shall, in certain circumstances, be entitled to attend the board meetings of a banking company.

This is an exceptional year for the industrial and commercial life of India. The Budget is ordinary introduced at the end of February. This year it is being postponed to a date in March or April, due, it is said, to the Elections. I do not think the Government realise the inconvenience the postponement causes to industry and commerce. The Government might have arranged the Elections in such a way as not to interfere with the usual date for the introduction of the Budget. The uncertainty that the delay causes does not strike the members of the Government who are, I fear, inclined to look to their own convenience and not always to that of the public. The anxiety due to the delay has been enhanced by rumours set afloat by irresponsible remarks. The rumours may or may not have any foundation but they cause damage by bringing about a lack of confidence in the future. Private enterprise can only thrive on credit and confidence. We are already possibly the highest taxed country in the world and rumours of still higher direct taxation shake the confidence of the public.

When will Government learn to cut their coat according to their cloth? Five-Year Plans are all very

well on paper and are sometimes praised by foreigners who do not have to consider where the required money is to come from. One pertinent question about the gigantic schemes in the second Five-Year Plan is whether we are going to get value for the money we spend. This, in my opinion, is very doubtful. Leaving aside the very high costs prevailing today, some money is lost by mistakes made by even the best of authorities. We cannot forget that mis-calculations are almost bound to occur in all schemes, big and small. If only a portion of what one hears be correct, the amount lost in some of the schemes undertaken in this country would run into huge figures. It is earnestly to be hoped that the Government will reconsider their grandiose schemes before they are compelled to give them up after incurring losses.

During 1956 the Bank celebrated its Golden Jubilee. The Bank was established fifty years ago on 7th September, 1906. It started business in November, 1906. Golden Jubilee functions were held at Bombay and at all other places where the Bank has branches. Special articles and supplements in the press were arranged. A Golden Jubilee brochure was printed and circulated. A medal was struck and distributed to shareholders and customers. The Bank's Head Office building was illuminated for some nights in November. The illuminations had, I think, the full approval of you shareholders resident in Bombay Also, to mark the completion of fifty years of the Bank's life, the Paid-Up Capital was increased from Rs. 250 lakhs to Rs. 300 lakhs by making a bonus issue to shareholders of 1,00,000 "A" fully-paid shares of Rs. 50 each from that part of the Reserve Fund representing premiums received on past issues of shares. The new issue has been made in a smooth manner, greatly assisted by you shareholders deciding that no fractional coupons should be issued but that the proceeds of fractions should be given to shareholders in cash. We have thus been saved the inconvenience of having outstanding coupons not presented.

The business of banking in 1956 operated under the handicap of a significant scarcity of funds, a condition which became more evident as the year progressed. It has been even more pronounced since the end of the year. There is an increasing unsatisfied demand for bank accommodation. It is a long time since a credit-worthy customer could be so doubtful of getting an advance from his bank against even really good and acceptable security as he is today. With the sustained and effective—I might almost say preferential—demands for finance for the projects of the second Five-Year Plan, there is little likelihood of any early easing of the money situation. Rather is the reverse the case. The position is made worse by the Government's insatiable tax levies. Industrial concerns can only meet the peremptory demands of the tax-gatherer by surrendering money they need for working capital or for maintenance and renovation and development of plant. They are obliged to apply to banks for money to replace the funds they have had to pay in taxes. They find the tightness of money prevents their demands being met. Their business and their profits—and their shareholders—suffer.

As an indication of the money situation I may bring to your notice that the ratio of advances and bills discounted and purchased to the deposits of all scheduled banks is now 75 per cent. This is the highest ratio since the Reserve Bank of India started publishing the figures in 1935. Interest rates on deposits with banks have risen to levels not seen for many years. Against a Bank Rate of 3½ per cent we have to pay more than 4 per cent per annum for deposits fixed for some periods. The rates of interests on advances do not rise proportionately to the rise in deposit rates. I mentioned this in my speech last year and it has been particularly the case in 1956. Deposit rates go with the prevailing rates of interest and depend upon the supply of and demand for money. With very few exceptions, the rates of interest on our advances are related to the Bank Rate. If there is no change in the Bank Rate, and it has now been stationary since 15th November, 1951, our rates of interest on advances do not automatically rise. We have, of course, increased our rates of interest by notice to our customers. Notice is more provoking to them than an automatic increase due to a rise in the Bank Rate, where they do not need to receive any intimation from the Bank. They see the rise in the Bank Rate and recognise that interest on borrowings must, accordingly, rise.

Because the Bank Rate has been kept at 3½ per cent in recent years of rising money rates, it has, to some extent, lost its character as the standard of interest rates in the country. Even the Reserve Bank of India recognises this, because, from 1st February, 1957, it has raised from 3½ per cent per annum to 4 per cent per annum the rate at which it will grant loans to banks against Government securities. This is not the official Bank Rate. The Reserve Bank of India thus admitted the increase in interest rates but did not alter the Bank Rate.

Our foreign exchange business turnover has developed greatly and, with it, our earnings from that side of our trading. We are not only doing a larger volume of foreign exchange business than in earlier years, but we are financing larger individual transactions. There is, I think, an assured future for India as a foreign exchange market. Amongst the currencies of Asian countries our rupee stands very high. As a counter in international exchange its use is increasing. I trust that those in authority over the management of our currency will do all they can to see that the value and reputation of the rupee in foreign markets are maintained.

I would now refer you, ladies and gentlemen, to the balance sheet.

The total at foot of the balance sheet is over Rs. 96 crores. The figure of the previous year was something over Rs. 89 crores. This increase of Rs. 7 crores indicates the growth during the year of the Bank's business.

The profit figure for 1956 is Rs. 92 lakhs, an increase of Rs. 7 lakhs over the figure of about Rs. 85 lakhs for 1955. Before the profit figure has been struck, usual appropriate and prudent provisions have been made. I think you shareholders will be satisfied with the profit figure. It is higher than that of any previous year and represents quite an achievement in these uncertain days.

The provision for taxation absorbs Rs. 28 lakhs against Rs. 25 lakhs last year.

Your Directors propose to place to the Bank's Reserve Fund the sum of Rs. 8 lakhs, making the Reserve Fund Rs. 310 lakhs.

A final dividend of 10 per cent, free of income-tax, is proposed, absorbing Rs. 25 lakhs, and making, with the interim dividend of 6 per cent paid last August, a distribution of 16 per cent per annum, or Rs. 40 lakhs for the year, free of income-tax. The carry-forward is Rs. 15½ lakhs against Rs. 13 lakhs last year.

COMPANY AFFAIRS

THE AHMEDABAD ELECTRICITY CO., LTD.

The profit of the Company for the working year ended September, 1956, amounts to Rs. 60,49,803 after charging depreciation in accordance with the provisions of the Electricity (Supply) Act, 1948, amounting to Rs. 44,94,327. The Company considers that there is no present liability for taxation on the profits of the year owing to income-tax depreciation allowances. To the profit has been added Rs. 8,44,000 transferred from the Equalisation of Dividends Reserve, and Rs. 313 brought forward, making a total of Rs. 68,94,116. From this, Rs. 9,38,708 has been placed to General Reserve in respect of the year under review, which is in accordance with an agreement entered into with the Bombay Government in 1955. After providing Rs. 3,35,915 to the statutory contingencies reserve and writing off a total sum of Rs. 42,263 under various heads, there remains a balance of Rs. 55,77,232. Again, Rs. 20,77,680 has to be deducted from this as ad-interim dividend of Rs. 2-8 per share, proportionate to the amounts called up, leaving Rs. 34,99,552 available for distribution. The Directors have recommended a dividend, for the half-year ended September, 1956, at the rate of Rs. 4 per share (making 6½ per cent for the year) which absorbs Rs. 34,99,112. The balance of Rs. 440 has to be carried forward.

During the year, 6,895 new connections were made. The total sales in kilowatt hours, at the end of the year were, 548,693,435, showing a 12.90 per cent increase over the previous year. The generating capacity of the Company's 'A' 'B' and 'C' stations at the end of the year was 110,400 kw., which shows an increase of 10,400 kw. over the previous year. Eight new sub-stations for general supply, 10 for rural electrification and 2 for industrial 11 kw. supply were erected and Commissioned during 1955-56. According to the Directors, coal deliveries have been causing some anxiety, but constant efforts made it possible to maintain stock at a reasonable level.

SAUGOR ELECTRICITY SUPPLY CO., LTD.

The accounts of the Company for the half-year ended June, 1956, show that, after providing for all charges and placing Rs. 1,939 to statutory contingencies reserve and Rs. 8000 to general reserve, there remains a balance of Rs. 10,970, including Rs. 2,247 brought forward, available for distribution. From this amount, the Directors have recommended payment of a 5 per cent per annum dividend, free of income-tax, for the half-year, which absorbs Rs. 7,500, leaving Rs. 3,470 to be carried forward.

Over the last six half-years, the Company's revenue and units of electricity sold have shown a steady increase. Thus, the revenue for the half-year was Rs. 2,37,436 as compared to Rs. 2,25,792 in the previous half-year. The units sold were 741,004 as against 682,701 in the preceding accounting period. The erection of the new thermal station at saugor has been reported to have been delayed due to heavy rains. However, it is expected to be Commissioned in June this year.

UPPER GANGES VALLEY ELECTRICITY SUPPLY CO., LTD.

In the case of this Company also, the accounts are for the half-year ended June, 1956. After providing for all charges and placing Rs. 4,221 to statutory contingencies reserve and Rs. 30,000 to general reserve, there remains a balance of 36,947, including Rs. 8,097 brought forward. The recommended dividend at 10 per cent per annum, free of income-tax for the period under report, absorbs Rs. 29,925. The balance of Rs. 7,022 is to be carried forward.

Like the Saugor, the Company's progress over the last three years has been satisfactory. As against 4,214,945 units of electricity sold in the preceding half-year, the figure for the period under review is 4,365,805. There is a corresponding increase in the revenue from Rs. 7,05,546 in the half-year ended December, 1955, to Rs. 7,50,265 for the half-year ended June, 1956.

THE KOHINOOR MILLS CO., LTD.

The Company has fared well during the year 1956, in spite of the difficult position caused by uneasy trading conditions for Indian cotton and the increase in excise duty from September, 1956. The Company has made a profit of Rs. 20.79 lakhs as against Rs. 21.22 lakhs last year after deducting depreciation of Rs. 11.21 lakhs, Rs. 20.5 lakhs for taxation and Rs. 1.5 lakhs for employees' pension and gratuity. The total dividend per share remains unchanged at Rs. 18, the final dividend being Rs. 12.

Among other appropriations, while depreciation absorbs Rs. 11.21 lakhs, taxation takes Rs. 25.50 lakhs. Development Revenue Account and Equalisation of Dividend Reserve Account have been allotted Rs. 75,000 each. After allocating Rs. 18 lakhs for dividends a sum of Rs. 1.63 lakhs has been left to go forward to next year's accounts.

The Company earned Rs. 6.87 crores by sales of cloth, yarn and waste. Selling agents Commission has been reduced by Rs. 2.26 lakhs at Rs. 10.53 lakhs. Salaries, wages and bonus amounted to Rs. 1.74 crores as against Rs. 1.75 crores in 1955.

EASTERN INVESTMENTS, LTD.

For the year ended December, 1956, Company's profit stands at Rs. 5,29,212, after all charges are provided for and after making provision of Rs. 5,44,728 for taxation and paying an interim dividend on the cumulative preference shares at 2½ per cent per annum, less tax, amounting to Rs. 46,094. Together with the preceding year's balance brought forward, of Rs. 3,06,138, the profit totals Rs. 8,35,350. The Directors have recommended payment of a final dividend of 2½ per cent per annum (making 5 per cent for the year) on 25,000 issued preference shares, less tax, absorbing Rs. 46,094. Another Rs. 4,61,340 is to be paid as dividend on 51,260 ordinary shares, tax-free, at 9 per cent per annum. That leaves a balance of Rs. 3,27,916 to be carried forward.

THE
UNITED COMMERCIAL
BANK LTD.
Head Office : 2, India Exchange Place, Calcutta.
London Office : 12, Nicholas Lane, E. C. 4
Paid-Up Capital Rs. 2,00,00,000
Reserve Fund Rs. 1,15,00,000
Chairman
G. D. BIRLA
SHORT AND LONG-TERM DEPOSITS
RECEIVED AT ATTRACTIVE RATES
SAVINGS ACCOUNTS WELCOMED
General Manager
S. T. SADASIVAN

COMMODITY NEWS AND NOTES

EXPORT OF SUGAR

A consignment of 2,217 tons of Indian sugar was shipped from Bombay last week for Basra. The cargo is part of 50,000 tons of sugar being exported by India for the first time. Recently small consignments of sugar were despatched from Bombay to East African and Persian Gulf Ports.

COTTON YARN EXPORT

Packings of cotton yarn made by mills in counts of 79s. and above will be taken into consideration for purposes of calculation of quarterly export quotas of cotton yarn. Announcing this, the Joint Chief Controller of Exports, Bombay, has said that allotments will, however, be issued in counts up to and including 36s. (including double yarn) and counts from 87s. to 78s. (including double yarn).

IMPORT OF METALLIC YARN OPPOSED

The Surat Chamber of Commerce has represented to the Union Ministry of Commerce and Industries that import of metallic yarn should be totally banned as this led to prejudicial competition with indigenous 'jari'. The Chamber has stated that metallic yarn was at present "liberally" imported and was replacing jari in handloom cloth "thus nullifying the protection granted to jari."

EXPORT OF JAGGERY

Cane jaggery and cane jaggery powder (gur) will continue to be licensed freely for export up to the end of December 1957, it has been announced. The licensing will be done on the shipping bill as hitherto.

CEYLON TEA OUTPUT

Ceylon produced 30.2 million lb. of tea in January this year compared to 26.8 million lb. in January last year according to official figures released in Colombo.

WORLD OUTPUT OF TIN DOWN

World production of tin-in-concentrates in 1956 (including China but excluding Russia) was 174,500 tons below the previous year according to the International Tin Study Group. World tin metal output last year was 177,000 tons as compared with 178,500 tons for 1955.

UK CAR INDUSTRY'S EXPORT DRIVE

The British motor car industry is poised for its most intensive export drive since the war ended. On the basis of orders already received, overseas sales are expected to be appreciably better than last year. America and Canada are the markets upon which most hopes are pinned. Switzerland is another market in which British manufacturers hope to do better.

CEYLON TO BUY INDIAN SUGAR

Ceylon has just concluded a deal for the purchase of 8,000 tons of Indian sugar, according to the Permanent Secretary, Ceylon's Ministry of Food and Agriculture. This will be the first time Indian sugar will be offered in Ceylon. First shipments of sugar are expected in April.

CRUDE OIL FOR ISRAEL

Arrangements have been completed for the chartering of a number of tankers to bring crude oil to the Red Sea port of Eilat. Their arrival is scheduled to coincide with the completion of the 8-inch oil pipeline from Eilat to Beershaba, 120 miles to the north. The first tanker is due to arrive at Eilat in the middle of April. It has been officially announced that a special Government company will be formed with a capital of I£400,000 (£80,000) to manage the oil pipelines.

US CRUDE OIL OUTPUT

US crude oil, output reached a new peak in the week ended February 22, according to the American Petroleum Institute. Production averaged 7.56 million barrels a day or 51,800 barrels more than in the previous week. Crude oil runs to refineries averaged 7.79 million barrels a day compared with 7.97 million in the previous week.

COAL PRODUCTION IN US

US coal production is capable of reaching 1,000 million tons per annum or double the current rate of production according to a New York report. The forecast is made by Mr. Cyrus Eaton, Chairman and Mr. Walter J. Tuohy, President of the Chesapeake and Ohio Railway in the annual report for 1956 in which it is indicated that 1957 output of soft coal will aggregate some 530 million tons. The long-term increase is predicted on the expanding needs of electric utilities and the steel industry and a continuation in the coal export boom.

WEST AFRICAN COCOA MARKETING

The announcement that the Gold Coast and Nigeria have no intention of altering the system of marketing their cocoa has put an end to persistent rumours that the Gold Coast Government was considering the establishment of a cocoa market in Accra after the achievement of independence. This would have meant the break-up of the marketing organisation in London which the Gold Coast has shared for some years with the other British West African countries.

DEMAND FOR RAYON FABRICS

There has been a revival in the foreign demand for Indian rayon fabrics, imports of which had continued to decline, it is stated. During the first nine months of 1956, India exported 2,202,455 yards of rayon fabrics compared with 1,967,935 yards in the corresponding period of the previous year, showing an increase of 11.91 per cent. Among the importing countries Ceylon headed the list in the total quantity imported while Aden excelled in the comparative increase in the offtake. Demand also revived from Afghanistan.

THE EASTERN ECONOMIST

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THE Manager,
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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	364 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
August 1956 ..	397 0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387 9	585.2	417 8	90.4	100 3	82.7	124.9
November ,, c ..	411.6*	514 2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413 9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387 1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	405.8	520.5	409.8	385.5	585.2	424 8	89.8	99.1	79.7	113.8
Week Ending										
5-1-1957 ..	382.4	517.6	411.2	386.9	594 1	417.6	89.7	100.0	80.3	113 4
12-1-1957 ..	389.0	522.0	413.0	386.1	594.0	421.0	89.7	100.0	80.5	112.6
19-1-1957 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7
26-1-1957 ..	399·7	533·7	413.1	386.6	588.6	425.8	89.8	99.4	80.5	115.1
2-2-1957 ..	407.0	527.0	412.9	386.9	588.9	427.3	89.8	99.1	80.1	114.7
9-2-1957 ..	405.2	523.7	412.5	386.9	592 9	426.2	89.8	99.1	79.9	114 1
16 2-1957 ..	407.7	517.5	407.6	385·0*	577 7*	424.2*	89.8	99.0	79.6	113 6
23-2 1957 ..	403.0	514.5	405.4	384·1	579.4	421.6	89.9	99.0	79.6	112.1

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	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
1956 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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	—	—	—	151	356	436	—	—	370	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	1-3-1957			22-2-1957			15-2-1957			8-2-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	107 12	104- 6	105-15	109 10	107-11	108-10	109- 7	107-14	108-11	108-12	107-14	108- 4
Silver (per 100 fine tolas)	182-13	177- 2	179-15	187- 3	182- 2	185- 3	186- 3	183- 1	184-15	187- 6	184- 8	185-14

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133.95	23,03	1,156,97	40,02	648,81	688,83	56.58	102,26	,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	656,52	696,54	51.35	106,87	428,39	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02					553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467.41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,443 67	16,72	1 460,39	40,02	531,85	571 87	39.42	120,18	700,30	1,460,65
November ,, ..	1,443 67	16,72	1 460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
1-2 1957 ..	1,494,02	14,55	1,508,57	117,76	412,52	530,28	35.15	123,26	855,03	1,508,57
8-2-1957 ..	1,519,65	7,01	1,526,66	117,76	412,52	530,28	34.74	121,34	875,03	1,526 66
15-2-1957 ..	1,515,62	11,28	1,526,90	117,76	412,52	530,28	34.60	121,59	875,03	1,526,90
22 2-1957 ..	1,506,25	21,08	1,527,33	117,76	412,52	530,28	34.50	122,01	875,03	1,527,33
1-3-1957	1,510,96	15,58	1,526,55	117,76	412,52	530,28	.	121,24	875,03	1,526,55

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 Governments	Banks	Others	Total									
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1·72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406.95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3.35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	.8,14	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	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197.46	22.42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66 46	8,06	52,39	12,23	139,14	57,81	196.96	27,03	5,19	43.55	4,02	63.43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28.72	5,01	30,52	4.02	82.18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,90	19,09
Week Enbing														
1-2-1957 ..	52,35	16,08	54,44	13,40	136,87	143,87	290,75	14,74	1,42	93,44	6,25	108,46	51 43	14,61
8-2-1957 ..	51,01	13,53	50,70	41,79	157,03	143,77	310,80	7,19	1,15	122,16	6 27	124,22	36,72	13,08
15-2-1957 ..	52,25	12,48	51,59	42,40	158,71	141.52	310,63	11,53	1,55	113 43	6,73	120,33	44 02	13,04
22-2-1957 ..	53,98	11,24	56,48	42,27	163,97	140,79	314,77	21,34	2,03	106,35	7,72	112,66	51,65	13,02
1-3-1957 ..	55,10	3,70	53,25	42,13	154,28	126,20	306,38	15,58	2,59	102,88	7,63	108,12	56.27	13,08

Note: Figures in brackets relate to Pakistan. **Inclu des Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
June 1956 ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8 00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7,88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
November ,, ..	645,84	457.42	1,103,26	36,36	50,64	7.99	601,41	162,79†	70.24	365,95
December ,, ..	650,85	460,19	1,111,04	36,63	51,06	7.98	611,97	168,62†	71.07	365,11
Week Ending										
25-1-1957 ..	670,83	462,30	1,123,77	33,06	50,05	7.40	657,07	168,96†	73.51	361,64
1-2-1957 ..	679,75	464,40	1,134,89	34,36	51,63	7.58	669,14	171,58†	74.08	361,27
8-2-1957 ..	676,25	463,82	1,130,96	35,91	48,78	7.49	688,39	167,86†	75.71	360,94
15-2-1957 ..	682,75	464,29	1,138,20	36,93	48,86	7.54	696,85	163 97†	75.63	356,20
22-2-1957 ..	694,52	467.08	1,152,76	36,77	51.92	7.69	695 57	161 89†	74.38	351,58

* 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	—39,98
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
October 1955 ..	1,978,24	1,331,40	646,85	635,72	11,12	+24,43
November ,, ..	2,002,46	1,351,24	651,21	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 ,, ..	2,228,11	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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10.35	—12,98
September ,, ..	2,108,13*	1,435,69*	672,44*	661,90*	10.54	—26,79*
October ,, ..	2,121,75*	1,442,42*	679,33*	668,49*	10,84	+13,62*
November ,, ..	2,149,62*	1,464,05*	685,59*	674,14*	11,46	+27,87*

* 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	November 1955	November 1956	11 Months Jan.-Nov. 1955	11 Months Jan.-Nov. 1956
Total All Exports	158,949	13,600	10,070	143,653	129,218
Of which :-					
Tea	75,420	6,602	6,590	66,229	60,342
Leather, leather manufactures & dressed furs	12,625	1,065	755	11,734	10,861
Tobacco & tobacco manufactures	7,177	443	267	6,617	8,100
Wool & other animal hair and tops	4,911	634	156	4,456	3,841
Cotton	4,535	715	39	4,142	3,235
Miscellaneous textile fibres & waste	1,392	67	24	1,351	816
Crude fertilisers & crude minerals, excluding fuel	1,978	168	83	1,831	1,604
Metalliferous ores & metal scrap	2,431	126	193	2,227	2,365
Miscellaneous animal & vegetable crude materials	4,949	321	208	4,459	3,710
Animal & vegetable oils, fats, greases & derivatives	8,497	510	46	8,101	7,732
Cotton yarns & woven fabrics	7,041	721	228	6,667	6,917
Miscellaneous textile manufactures	14,400	740	859	13,548	11,090

II. PRINCIPAL IMPORTS

(Thousand £)

	Full Year 1955	November 1955	November 1956	11 Months Jan.-Nov. 1955	11 Months Jan.-Nov. 1956
Total All Imports	130,161	11,405	15,345	118,754	156,689
Of which :					
Machinery other than electric	32,344	3,054	4,192	29,340	41,914
Electric machinery, apparatus & appliances	16,246	1,683	1,669	14,832	19,689
Wool & other animal hair and tops	4,818	342	360	4,483	4,990
Petroleum & petroleum products	1,737	75	72	1,635	2,177
Chemicals	16,517	1,236	1,928	15,005	17,331
Paper, paperboard & manufactures thereof	1,717	198	82	1,607	1,361
Iron and steel	8,825	1,010	1,375	7,693	14,919
Non-ferrous base metals	2,248	207	503	2,114	3,698
Manufactures of metals	6,984	466	1,494	6,336	12,850
Railway vehicles	3,365	142	345	3,259	6,245
Road vehicles & aircraft	10,038	868	1,175	9,262	11,043
Scientific instruments; photographic & optical goods; watches & clocks	2,975	291	221	2,747	2,693

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Full Year 1953	November 1955	November 1956	11 Months Jan.-Nov. 1955	11 Months Jan.-Nov. 1956
Total Machinery	48,590	4,737	5,861	44,172	61,603
Of which :-					
Boilers & boiler-house plant	1,782	219	199	1,654	2,199
Internal combustion engines	1,787	184	190	1,663	2 151
Agricultural machinery	187	27	11	177	209
Agricultural & track-laying tractors	908	64	149	902	1,216
Machine tools (excluding portable power tools)	2,408	213	286	2,249	2,423
Pumps	837	94	87	756	930
Industrial & works trucks & tractor & mechanical handling equipment	1,504	146	256	1,404	2,118
Excavating & earth-moving machinery & road rollers	1,395	132	195	1,253	1,851
Mining & well drilling machinery	414	42	105	374	524
Printing & bookbinding machinery & printing type	700	97	48	605	797
Textile machinery	7,296	708	834	6,428	9,162
Air-conditioning & refrigerating machinery & fans	296	29	43	253	328
Generating sets, generators & motors	2,224	275	359	2 082	3,101
Converting machinery, transformers, switch gear & switchboards	3,954	282	493	3,673	4,422
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,979	291	121	1 832	1,728
Telegraph & telephone equipment & line apparatus	645	49	12	627	697
Electric cables, wires, strips & strands, insulated	3,927	422	279	3,456	5,201

Source :— Trade and Navigation Accounts of the U.K. (H.M.S.O.)

SOME COMMONWEALTH DOLLAR EARNERS

U.S. $ million f.o.b.

	1938	1949	1950	1951	1952	1953	1954	1954
United Kingdom								
Textiles	70	182	203	252	200	226	194	220
Vehicles	4	64	108	85	100	127	106	113
Spirits	37	51	65	62	61	71	73	80
Machinery and parts	8	31	35	46	71	91	89	80
Pottery	8	28	30	36	31	34	32	41
Chemicals	12	16	31	50	40	43	38	40
Canada								
Wood and wood products	149	726	953	1,088	1,100	1,106	1,129	1,250
Cattle and beef	6	75	86	85	3	14	14	10
Agricultural machinery	2	79	76	94	95	67	60	28
Fish	13	62	73	76	84	80	80	83
Nickel	13	63	73	90	98	103	124	144
Asbestos and products	5	28	42	53	54	51	49	55
Zinc and products	—	32	40	40	58	49	45	46
Lead and products	—	23	29	23	39	16	31	23
Aluminium and products	—	21	45	39	45	92	84	88
Copper and products	6	39	38	31	65	67	59	84
Australia								
Wool	2	80	116	306	129	72	65	70
New Zealand								
Wool	4	16	43	71	69	35	25	28
Hides and skins	3	10	16	18	11	16	13	10
Union of S. Africa								
Diamonds	10	47	79	19	15	14	14	15
Wool	—	19	18	61	34	18	21	22
INDIA								
Jute and manufactures	34	127	102	118	114	74	71	82
Tea	7	26	33	25	23	25	33	38
Lac	1	6	5	5	6	6	5	8
Cashew nuts	4	14	16	20	20	21	18	23
Spices	—	17	38	37	30	23	16	7
Hides and skins	4	8	12	16	10	9	7	7
Mica and products	1	17	21	18	10	10	5	7
Manganese ore	—	8	16	15	22	39	30	25
Wool	3	5	8	6	12	6	8	9
Pakistan								
Jute and manufactures	—	17	19	30	12	17	13	14
Wool	—	4	7	6	9	6	4	9
Hides and skins	—	3	4	5	2	2	2	3
Ceylon								
Tea	9	26	32	23	27	30	32	32
Rubber	9	17	44	36	22	7	3	12
Rhodesia (a)								
Chrome	2	2	3	4	6	11	9	9
Asbestos	—	3	3	2	4	3	2	2
Copper	1	10	18	27	20	58	36	53
Colonies								
Rubber (Malaya)	82	126	229	436	269	119	89	156
Tin (Malaya)	34	82	102	30	129	102	86	97
Cocoa (Gold Coast)	3	47	54	76	53	50	50	38
Cocoa (Nigeria)	2	26	26	37	36	28	35	16
Sugar (West Indies)	13	40	42	48	32	18	25	25
Coffee (Br. E. Africa)	3	1	14	16	17	11	12	30
TOTAL, above commodities	564	2,324	3,047	3,661	3,287	3,067	2,933	3,282

The figures represent imports of the commodities stated as shown in the Trade Returns of Canada and the United States.

(a) Before January, 1954, for Canadian imports and July, 1954, for U.S. imports, figures for chrome and asbestos are for S. Rhodesia only and figures for copper are for N. Rhodesia only. Thereafter, all figures are for the Federation of Rhodesia and Nyasaland.

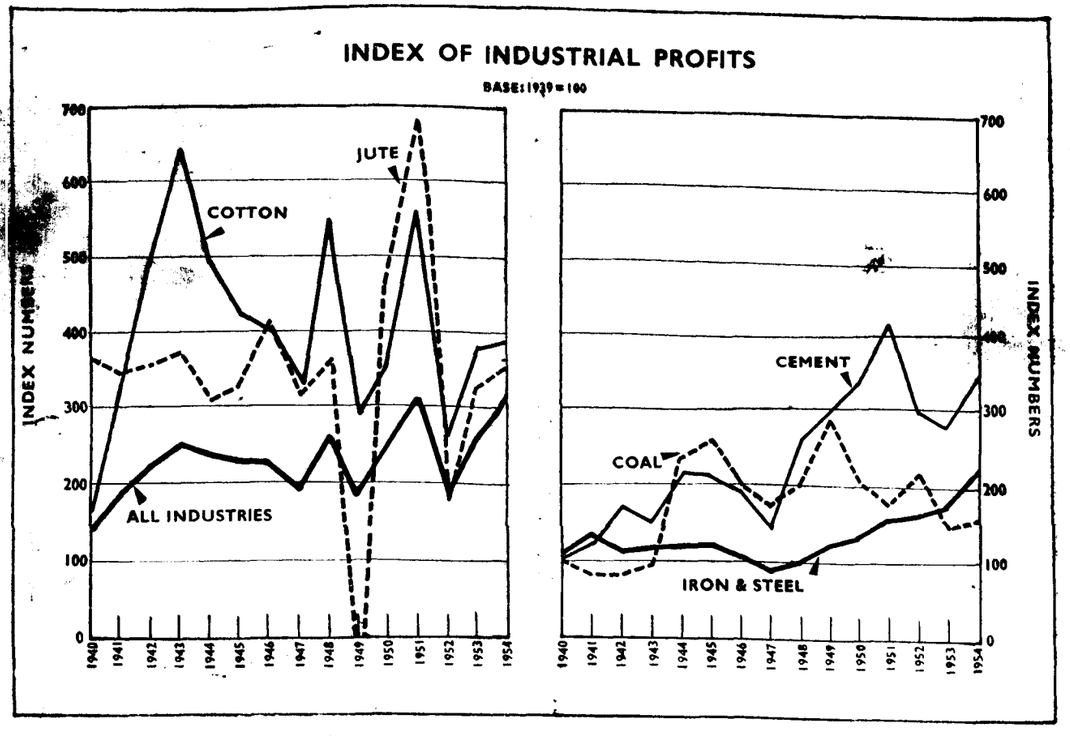
Source: Commonwealth Trade, 1955-56.

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	126.7	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	198.8	122.4	266.4	198.5	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 ..	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



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The Elections and After

YESTERDAY, March 28, India's first Lok Sabha was adjourned *sine die*. Thus, there came to an end — which was appropriately noted in two happy utterances of the Speaker and the Prime Minister — a record of work of which the country, as well as the Members of the first Lok Sabha elected on adult franchise in India, can well be proud. In the last five years there may have been unnecessary haste to add to the volume of legislation. Some of the amendments to the Constitution, in particular, were precipitate and, it would appear, undesirable. But, by and large, there has been written into the Statute Book of India in these five years an impressive volume of both necessary and progressive legislation. Tribute should be paid to the Congress Party which has initiated much of this legislation but tribute should also be paid to the character of the criticism and opposition which Members other than those of the Congress Party have brought to their task. In the main these criticisms have been constructive and, at times, such as on Bilingual Bombay, creative even more than constructive. One of the best tributes that can be paid to this Lok Sabha, which is to be formally dissolved on April 4, is that it has set a fine example for future work for its successor.

It is now possible to indicate, although a few results are still outstanding, the character of its successor. Although much has been changed in respect of individual Members—and one need not underwrite the element of surprise in this election — it is broadly true to say that the spirit of the new Lok Sabha will not be substantially dif-

ferent from the old. An element of uncertainty is written into persons but it is remarkable in this case how the impersonal results, particularly in the Centre, have run true to form. Indeed, the prediction of the Indian Institute of Public Opinion published in a Blue Supplement in *The Eastern Economist* of February 22 has been fulfilled, with a percentage error of less than four points in the Congress poll for Lok Sabha seats. The fact that an all-India poll with a sample of only 3,000 interviews could go so close in a prediction of this kind seems to indicate that the volume of uncertainty in the Centre is still remarkably small. Nevertheless, even in an impersonal sense the element is there, and something at least should be said about the character of the surprises which have come upon us in this election.

Almost certainly, the major surprise both at home and abroad — possibly more abroad than at home — is the arrival to power by democratic means of the Communist Party in Kerala. It is not generally recognised that this has happened with a minority vote. It is true that the Communists had a majority over the Congress in the Lok Sabha seats of which they contested only 15 as against 17 contested by the Congress and polled 2,267,888 votes against the Congress' 2,102,887. But in the Assembly elections which brought the Communists to power, the Congress polled 38.2 per cent of the votes as against 36.5 per cent of the Communist Party. Thus, in Kerala there lives the old political paradox that with fewer votes a party may have a substantial lead in seats. Excluding the Independent seats, six of which are more or less attached to the Communist Party, the Communist Party has 60 seats against only 43 won by the Congress.

This points at once to the fact that it is Congress strategy which has been in error. Perhaps the error might have been avoided if Mr. S. K. Patil had not been, most unwisely, entrusted with the responsibility of getting Mr. V. K. Krishna Menon in from a Bombay constituency, where the issue was in some doubt at the beginning and where the final verdict shows no abounding confidence. In any case, the price of Mr. Krishna Menon's victory was heavy. It is clear that Mr. Patil did not appreciate fully the importance in Kerala of an alliance with the P.S.P. or even with the Muslim League in the special circumstances there obtaining. The results in Kerala must convince the Congress that even its foremost strategists can bite off far more than they can chew. The Congress has been laid low in Kerala by its refusal to negotiate from its weakness there. It has been defeated by over-confidence, and by its failure to win friends amongst the democratic parties.

While it is unhappy that the Congress failure here has produced a result which may have serious psychological consequences abroad, one should not exaggerate the tragedy of the current situation. The Communists have come to power with a minority vote in circumstances which must make their tenure of office unstable; and, if wisdom should now arrive, the Congress High Command will devise a strategy for victory. If, as is likely, such an agreement is reached there will be a soul of good in things evil. The general feeling in the country is one of expectation that the Congress will learn from its defeat in this State to think in more conciliatory political terms in the interest of the maintenance of Parliamentary democracy over all areas of the Indian Union.

Almost certainly the reverses in other areas of India have less significance, both in the short and long terms. In Orissa where the Ganatantra Parishad has 51 seats against 56 of the Congress, it is to be remembered that the Congress has polled nearly the same vote as it did in the last elections, namely 38.3 per cent. If the Ganatantra Parishad has raised its votes from 20.51 to 28.68 per cent this has been largely at the expense of Independents and not of the Congress. It is possible that the Congress in the next five years may endear itself more to the people of this State, where political neglect and bad administration have been almost as marked as in the old State of Travancore-Cochin.

For the rest, the Congress Party has come to power in every State of the Indian Union in a position of security although, particularly in Bombay, the reverses have been heavily marked on individuals both in Gujerat and Maharashtra. There is no doubt that here the dislike of Bilingual Bombay has been a deciding factor in creating an opposition different in character and purpose from the Leftist elements of the previous opposition. But there is no possibility of the opposition in Bombay State ever becoming the government. *Prima facie* there is no evidence that we are on the way to a transfer of power from the Congress to any other party in any other State.

What is true of all these States of the Indian Union is true, *a fortiori*, of the Centre. Here the Congress comes to power with a vote of about 49 per cent of the total valid votes polled against 45.2 in the last election. The Congress still enjoys at the Centre the supreme capacity to legislate as it wills, and even to amend the Constitution. Whether it is good for a single party to have this power may be contested, but at least it proves to the world that in the area where economic policies are determined, the Indian people have placed their trust in continuity of policy and firm stability.

One may look from many angles upon this election and find in it many causes for satisfaction and pride. Anyone who has been engaged in the field to watch the momentous administrative operation of conducting the most exacting elecon the capacity of India's civil servants, who, even more than in 1951, have surpassed themselves in their integrity, administrative skill and devotion to duty. It is possible to differ here and there on the verdict of the people, but over the country today there must be no difference on the manner in which, under a supremely able Election Commission, the will of the people has been drawn from millions of minds to be placed in a workmanlike form and shape in the legislatures of the country. By and large, there can be no doubt that the result obtained is a true reflection of the will of the Indian people.

Again, the Congress Government comes to power shaken here and there by mishaps, particularly, to some old and trusted politicians. The Indian people will, it seems, not be taken for granted. But equally they will not be shaken by violent prejudice or by wild promises from a sound assessment of the qualities of the candidates and the parties they represent. In this mature judgment of the Indian people, there is the sheet-anchor of India's democracy. The ship may sway, but this anchor will hold. Therein lies our strength, and in that faith we will conquer.

The Mind of Indian Business

THE Annual Meeting of the Federation of Indian Chambers of Commerce and Industry held in Delhi last week underlines one point more than any other. Contrary to the usual belief that with the arrival of the Forum of Free Enterprise there exists strong feeling amongst leading business men on the economic policies of the Government of India, the general tenor of the discussions showed how obviously many leading elements of business in the country represented by the Federation were on the Government side. Shri Lakshmipat Singhania's Presidential Address was both in tone and in substance a non-critical and, indeed, even a friendly speech. Quite apart from the agreement it drew from the Prime Minister — particularly on the danger of obsolescence of the mind — there was in this speech no suggestion that the business community is deeply disturbed about the current policies of the Government.

Almost certainly this undue caution in the business world represented at the Federation meeting is as far removed from the real structure of the mind of Indian business as the agitated criticisms which are represented in some degree or another by business men who are supporting the daring approach of the Forum of Free Enterprise. Thus it is that two wings of leading Indian business opinion are both in a sense off centre at the present time. There is urgent need for a description of the business mind as in fact it is — a resultant of two components, one of patriotic co-operation with a National Government, particularly one associated with the outstanding hero of the Indian Revolution, and on the other hand a critical feeling that the policies adopted are unsuited to the market-place and to the environment in which the business man lives and works.

These two strands in the making of business mind at present were reflected in practically every important speech and in most of the resolutions placed before the meeting. As usual all the resolutions were passed unanimously and it was not to be expected that differences of opinion, which undoubtedly exist even on the phrasing of some of these resolutions, would be reflected in the ultimate vote. But if one can make a comment on these resolutions and on the speeches which supported them, many of which were very able, one would point to the surprising extent to which the concept of the socialist pattern of society has been accepted by the Indian business community. There were notable speeches like those of Mr. Shanti Prasad Jain, Sir B. P. Singh Roy and Mr. L. N. Birla which indicated that something was seriously wrong. Mr. Jain pointed to the weakness of Indian agriculture, particularly in its administrative aspect, Sir B. P. Singh Roy stressed the problem of transport on which he speaks with exceptional authority, and Mr. L. N. Birla spoke on the problem of monetary stringency which in the short period context might well be the most severe of all. There will be general agreement with what they all said, but one had a feeling that the capacity of the business community to solve all these problems on the lines proposed was so limited that, in point of fact, what was being set out was a mere submission to the Government and not an instrument of action for the Federation itself. Almost all major leadership has passed from the business community.

The resolutions passed must be read in this context. They are conciliatory even on that most outstanding of issues which has assumed the magnitude of a serious crisis and put the tempo of the progress of the Plan under suspension all too suddenly. The resolution on foreign exchange resources deserves in point of immediate urgency the greatest significance. This is a matter in which the entire future of the Plan, and indeed of the economy in the short period, is at stake. The remedies to resolve the impasse must be decisive and capable of yielding quick results, for, time is of the essence in this issue. The spirit of the Federation's resolution fails to convey the element of the urgency. It highlights the fact that the action taken by the Government falls far short of the real needs of trade and industry.

One might commend the Federation for its frontal approach on the problems of financial stringency. In spite of the acute turn which it took this year, the Government of India has shown insufficient disposition to tackle the problem. Here, at least, the emphasis placed by the Federation was right. On foreign exchange there was little said that was new. The long list of measures which the resolution has urged to augment foreign exchange resources—austerity in consumption, conservation of foreign exchange by further modification of import policy, export promotion by diversification of markets and commodities as also by a campaign for insistence on quality production, simplification of administrative procedure, emphasis on a positive programme of raising invisible earnings, and so forth—is good so far as it goes. This problem, however, could not be dilated upon in the resolution which was intended primarily to suggest ways and means to improve the export-import trade.

The more one assesses the place of the Federation in the counsels of the Government and the more one evaluates the conciliatory temper of the speeches that were made last week, the more one is convinced that the business community has accepted with good grace and, perhaps, with less courage than is due to it, the station which the Government of India, in its wisdom, has chosen to assign to it. *The Eastern Economist* believes that the business community does not do justice to itself in this complete acquiescence in a minor role in the making of economic policy and of implementing it. It is the business community which understands best the problem of production and should exercise great influence in the making of a production policy, even if not in the implementation of that portion of it which goes now increasingly into the public sector. One certainly had the impression last week that the business community was apologetic about its own philosophy and that this philosophy was not ardent, if it was expressed at all. One might ask of the exponents of the business way of life whether they are losing faith in themselves and are anxious now only to accommodate themselves on the best possible terms to a political current which they are unable to correct or control.

India and Poland

THOUGH India and Poland have different political systems, there is a historical parallel between their respective experiences. Both the countries have been victims of foreign aggression; both of them have struggled hard for their independence; and both of them have been partitioned against their will. Both India and Poland have started late on the road to industrialization. In both countries, there is a disproportionate development in industry and agriculture and insufficiency of consumer goods.

The Polish Prime Minister, Mr. Jozef Cyrankiewicz's visit to India has not unnaturally evoked interest in this country. It is the first time since the Hungarian crisis in October last that an East European leader is visiting a non-Communist country. And that leader is also the one who has successfully helped his country free itself from the stranglehold of the Russian octopus. Many in India may even discern an identity of approach between the leaders of India and those of Poland for securing national independence. Poland's present status is a result of no violent upheaval. That in the process the imperialist nature of the Russian concept of "Socialist solidarity" has been exposed was quite incidental, though this has shown the way to other Soviet satellites to rid themselves of the Russian tutelage.

Mr. Cyrankiewicz's utterances in India have not belied the hopes of those who wanted to have a first-hand information of the recent developments in Eastern Europe. According to him the "painful lesson from history was that democracy, freedom and peace were interdependent". Narrating the happenings, he told the members of the Indian Parliament that before October last Poland's relations with Russia did not always correspond with the letter and spirit of the agreements between the two countries. The full realization of this subservience began "rather timidly" in 1953, that is after the death of Stalin. It was then felt that the deviations from the path of democracy had made it impossible for the Poles to utilize fully the fruits of "our revolution, our industrial potential, and our political institutions". The "faults" were over-centralization and bureaucratization of the State-apparatus. They limited the initiative of the masses and resulted in "deviation from social democracy which should be in the first place a democracy for the masses". Now all the factors that distorted these relations in the past, we are assured, have been removed.

The "October Days", Mr. Cyrankiewicz said, have brought a great political activization of the Poles. This was evidenced in the recent general elections. The elections held in January last, the Polish Premier asserted, were a "big step towards building a sovereign democratic and socialist country". Mr. Cyrankiewicz disclosed that there were many differences among the members of the new Polish Parliament (Seym) in matters of religion and economic and philosophic outlook. "I have often been on hot spots as your Prime Minister Mr. Nehru finds himself sometimes", he stated. The Polish Premier hoped that the new Seym would now be able to play more effectively its role in increasing Poland's share in the world-wide struggle for peace. Poland, he said, stood for lessening international tension, for progressive disarmament, for eliminating the last vestiges of colonialism, for scrapping military pacts and for collective security. Left to themselves, the Poles, by and large, would prefer to be neutral like India. But so long as Poland remained sandwiched between Soviet Communism and the West, thanks to the strains and stresses of the cold war, it was inevitable that Poland's relations with the world at large would not be free from inhibitions. It was due to this that despite her essentially neutralist and pacific aims, Poland found herself compelled to adhere to the Warsaw Pact, sometimes described as a counterblast to the North Atlantic Treaty Organization. The Polish Premier assured, however, that the moment a system of collective security came into being, the cold war abated somewhat and Germany re-united under a truly democratic regime, Poland would be "the first to throw away the military burdens which weigh so heavily on our economic life and slow down our progress".

It is India's hope that improvement in international affairs will give the nations of Eastern Europe untrammelled liberty to lead their lives according to their own wishes and in peaceful co-operation with the rest of the world. India also believes that the forces, which brought India and Yugoslavia together, are at work in regard to the relations between Poland and her and the world at large. This is enshrined in the joint statement issued by the two Prime Ministers and in a cultural agreement signed between the two countries.

It is hoped that the visit of the Polish Prime Minister besides promoting better understanding would include learning from each other's experience, particularly because problems facing the two countries are identical in several respects. India can draw an appropriate lesson from the failure of the Polish policy of over-ambitious industrialization which led to the Poznon riots and the "October Revolution" last year. This may help us to examine our own plan of industrialization which is apparently beyond our means. A similar attempt in Poland resulted in acute misery, dire privation and rigid State control of the masses and later of course to the explosion of October last. Co-operativization of agriculture is another field to give us a necessary warning, especially because it is becoming increasingly fashionable in our country. The Gomulka report of October last has exploded the myth that co-operative farming is the answer to all agrarian ills. Mr. Cyrankiewicz's presence in the country should be availed of to know the actual nature and real worth of this remedy. It is wise to profit by others' mistakes.

If the Poles have discovered to their cost why peasant individualism should not be interferred with or ridiculed, we in India should pause and think of the consequences should we rush into reckless co-operativization of agriculture. The Poles, under Mr. Cyrankiewicz and Mr. Gomulka are not reactionaries but level-headed revolutionaries. Their experience should be of inestimable value to us in this respect.



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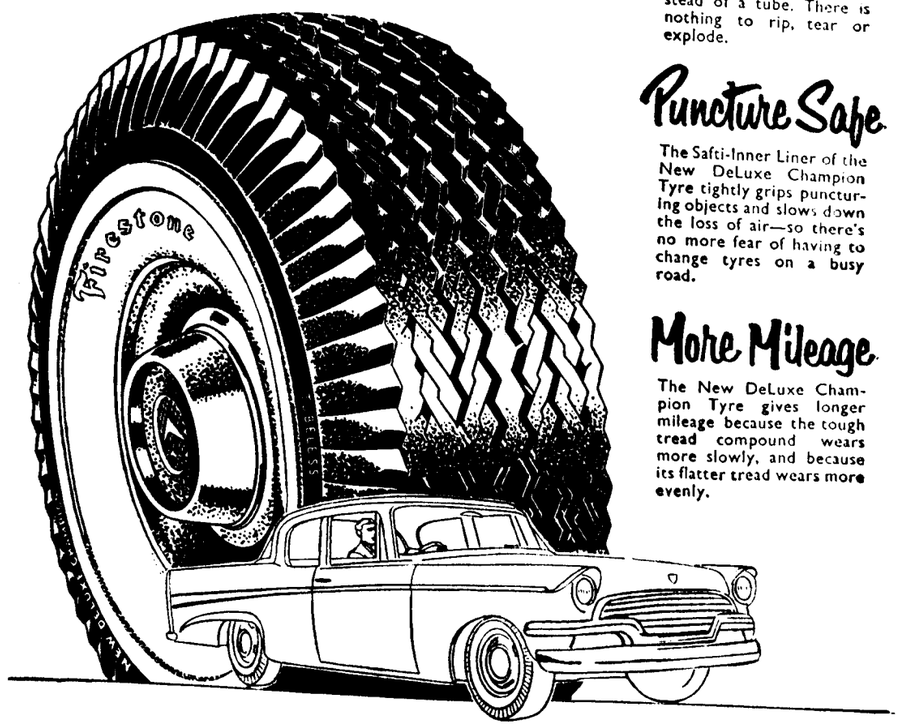
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THE WEEK'S NOTES

A CONSTRUCTIVE APPROACH

THE LEADERS of government in India have always stated that they would welcome constructive criticism from the business community. It is gratifying to find that the kind of criticism most likely to influence the influential has just come from the Federation of Indian Chambers of Commerce and Industry by way of some resolutions passed at its 30th Annual Session. These resolutions contain a number of helpful and constructive suggestions calculated to bring about a modification of certain governmental policies. These suggestions are advanced in a spirit of patriotism, and it is not improbable that some of them may come to be accepted.

The key resolution on economic policy brings out clearly the appreciation of the business community for "the various measures taken by Government towards increasing the volume of production — agricultural and industrial — and employment opportunities" and its anxiety to co-operate with the Government "in the present predicament of a rise in prices, a rapid decline in our foreign exchange resources and tightness in the money market". This resolution appropriately suggests that increased weightage be given to the improvement of agricultural production and facilities provided therefor. It is obvious that this cannot be done without additional financial outlay. The Federation has not indicated how the additional resources for financing agricultural schemes are to be obtained. To expect that the higher targets of agricultural production can be achieved without additional development expenditure, is a little unrealistic. As land taxation including land revenue, agricultural income-tax in some States and local cesses account for less than 1.5 per cent of national income in India and as the General Elections are now completed, it would not be difficult for the Centre to advise all the State Governments to levy a development cess on land revenue. This is the only fasible immediate alternative to a time-consuming reorganisation of the structure of land taxation designed to net in more land revenue.

The resolution on economic policy is most timely where it pleads for "a monetary policy which while putting appropriate restraint on non-essential expansion, speculation and consumption, encourages production of essential items." This theme is taken up in greater detail in another resolution which emphasises the need for taking corrective measures to ease the current tightness in money market. How the stringency has come about is succinctly described in the preamble of the resolution. There can be no two opinions on this, for the Government themselves have testified to the phenomenon. Whatever differences there are between the business community and the Government, they can only be in respect of what remedial measures are to be applied. Here the Federation's suggestions are that the policy and programme of re-discounting of Bills by the Reserve Bank be liberalised further; that an active Open Market Operations Policy for Government securities be adopted; that compensation on account of nationalisation of life insurance and of other properties acquired by the Central and State Governments be given immediately; that quicker remittance facilities be provided to Banks for reducing the amounts of money in transit, etc. These suggestions are self-explanatory and are **prima facie** moderate and reasonable. The Finance Ministry's action thereon will be watched with interest and hope.

A VOICE OF REASON

A NOTABLE speech, at once critical and constructive, in the Lok Sabha last week came from Mr. Ashok Mehta, who made a searching analysis of the state of the country's economy in the course of the budget debate. With prices rising, production falling and currency expanding, the signs are all evident for what he called a "serious economic unbalance". In two of the essential necessities of life, food and cloth, he said, the position of the country was "vulnerable" as it had still to depend on foreign assistance. If to this were added the problem of the rupee and foreign exchange resources which has developed into an acute form even during the first year of the second Plan, it is easy to see why Mr. Mehta should have been forced to warn the Government of the complacency governing its approach to the "tremendous crisis ahead". In the face of this, it is hardly surprising that Mr. Mehta should have strongly felt that unless the overwhelming support of the common people in the policy of total mobilisation of resources was achieved, Government would be compelled to modify the Plan or extend it to a period of seven years. He has thus voiced the apprehension of a substantial section of the people in this country including this journal in the over-optimism that characterises Government's approach to the second Plan as it is and its ability to carry it through in the face of heavy odds.

In the course of his speech, Mr. Mehta also drew attention to two other questions that deserve great attention coming as they did from a Socialist leader of his standing. One is the refreshing way in which he has dealt with the problem of wages which is being distroted by a doctrinaire approach by even some spokesmen of the Government, not to speak of trade union leaders. Pointing out how it was important to step up production, he has pleaded for linking wages to productivity of labour which is the only correct way of looking at this vexed problem. The other one was with regard to housing which he again set in the proper perspective. Being a non-productive activity, housing could not naturally claim any priority along with food and clothing and the cry for increased housing schemes should not evoke any misplaced sympathy when the country is faced with more urgent problems. The Finance Minister himself was one of those who applauded warmly Mr. Mehta's speech. Does this mean that his suggestions will have some effect on Government's attitude in the implementation of the Plan?

NAYE PAISE

APRIL FOOLS' Day this year will have an added source of confusion in the new decimal coinage system. Though the new system is utilitarian from the long-term point of view, millions of people who have to deal in naya paisa will find it a rather strenuous experience. The situation will be complicated by the fact that for the next three years both the old and the new coins will remain in circulation. It is clear that the change-over will not be quite smooth, because the conversion rates are not strictly exact. For example, while one pice will be equivalent to two naye paise, two present pice will fetch only three naye paise and three only five paise. The illiterate people, particularly in the rural areas, will be at a disadvantage since the unscrupulous dealer will often be able to outdo them in fine calculations. Beggars will be hit hard since the naya paisa they will get is 33 per cent less in value.

In spite of the initial difficulties, however, the new system has various advantages It is in line with the metric system of weights and measures, which is commended for its sheer simplicity. With increasing monetisation of the Indian economy, it will become almost a practical necessity in course of time. In fact this system is widely prevalent throughout the world. Of the 144 countries which issue their own currencies,

as many as 105 use the decimal coinage. The United Kingdom is perhaps the only exception among the industrialised countries. The lapse in the case of the U.K. may be explained by the fact that it is too late for her to effect a change-over now since in that event she would have to scrap thousands of calculating machines which are already in use. Even in Asia, a number of countries have accepted this system of coinage, and it may be mentioned that our small neighbour, Ceylon, has stolen a march over us in this respect.

Expert opinion has for long been advocating its introduction in this country, and in fact this matter has been pending with the Government for the last ten years. Historically, the first step in this direction was taken as far as back as 1867 when the Government decided that the decimal system should be adopted in stages. For a variety of reasons, however, the Act of 1871 never came into force. After the formation of the National Government in 1946 a Bill was introduced but owing to the impending political changes it could not be pursued. The volume of opinion in favour of decimal currency has increased considerably since Independence and hence the Indian Coinage (Amendment) Act of 1955. Reform of the coinage system is vital inasmuch as it touches the life and habits of every citizen. For its success, therefore, full understanding of the scheme is essential. This calls for extensive publicity through all available media.

THE PROBLEM OF CEYLON 'INDIANS'

THE PROBLEM of Ceylon 'Indians' is still in a state of flux. So far less than 60,000 persons of Indian origin have been registered as citizens, while more than 500,000 have been rendered stateless. The current situation is dismal enough, and it is strange that the Citizenship Bill which was enacted with the sole object of helping persons of Indian origin to acquire citizenship rights has not been able to render any significant help. During the course of its implementation only five per cent of the persons of Indian origin have been helped and 95 per cent hindered. In addition to the question of citizenship, there is the problem of language which agitates the minds of Tamil-speaking Ceylonese.

Various plans are being mooted to solve this vexed problem. The keynote of the tentative plan of the Ceylon Government is "naturalization without voting rights". According to the plan naturalization will enable over 900,000 Indian estate labour hands to travel freely between Ceylon and India on Indo-Ceylon passport. The object of denying voting rights to Indians is to prevent an upset in the political balance of power of the Sinhalese in the hill country although this has been camouflaged by adducing economic reasons, including unemployment among the indigenous people. The proposal is bound to be resisted by Indians since naturalization without voting rights would be nothing more than confirming them as foreign labour working to maintain Ceylon's foremost economic units, the tea and rubber plantations. Indians have emigrated decades ago and have worked for a strong economy for Ceylon. Having been in Ceylon for decades now, there is nothing illegitimate to demand that they be treated as Sinhalese. The proposal is nothing but unfair to those who are ready to accept Ceylonese citizenship and all its obligations. The solution to the language issue with the reasonable use of the Tamil language within the Act making Sinhalese the official language, however, may appear satisfactory, as it would safeguard the minority interests.

The real solution of the citizenship problem, it is considered in some circles, can be evolved only by negotiations between the Ceylon Government and representatives of the people of Indian origin. While no one would object to this demand of Mr. A. Aziz, President of the Democratic Congress, it seems rather doubtful if the Democratic Congress, divided as it is, would be able to negotiate satisfactory terms. The Government of India will have to continue to interest itself in the matter.

RECONCILIATION AT BERMUDA

AFTER MANY months of grim estrangement between the U.S.A. and the U.K., Bermuda has provided a breath of fresh air and a large measure of relief. Both sides seem to have put in genuine efforts toward a friendly understanding of each other's points of view and a reconciliation of differences over their respective policies has thus been effected. It, however, needs no emphasis that the differences were only on approaches and not on principles. Ever since the end of the last war, the world has been gradually but unmistakably driven to the edge of a dangerous precipice. The division between the free and Communist worlds is critical enough, but differences between the two leading countries of the free world are still worse, and, if carried too far, may well prove to be disastrous for the entire world, more so the weak nations. Appropriately enough, Mr. Eisenhower and Mr. Macmillan engaged themselves in a free and frank exchange of views and produced tangible results over their common problems concerning West and East Asia, NATO, European co-operation and more specifically defence, with emphasis on the dreaded atom.

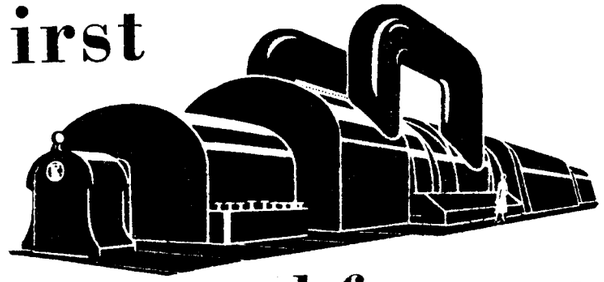
In point of fact, these problems have bearing, in one way or another, on almost all countries, whether aligned or otherwise. The world is waiting with bated breath for some limitation on nuclear tests before radiation may increase to unmanageable and hazardous proportions. Yet, what has happened during the past many years has shown beyond doubt that there cannot conceivably emerge a final or satisfactory solution without recognising the fundamental considerations of estimating objective scientific requirements and the needs of defence in a divided world with a precarious balance. The idea of a unilateral abandonment of test explosions appears to remain only a pious hope. In such a situation, a self-imposed restraint is the only possible solution, at least for the short period. This may appear to be a small step, nevertheless its significance should not be minimised. The Bermuda communique is, therefore, important inasmuch as the U.S.A. and the U.K. are agreeable to such a restraint, provided the U.S.S.R. responds in equal measure. The ball has thus been passed to the Russians and everybody will be watching their next move. Meanwhile, Britain's net gain is the missiles arrangement with the U.S.A.; (the latter may draw upon the U.K.'s well advanced research in the constructive role of atomic energy). No more will the U.S.S.R. be in a position to issue threats like the ones which were implicit in her declarations over the Suez canal crisis.

On the Egyptian crisis, the Bermuda meeting has underlined the importance of compliance with the United Nations resolutions which lay down that the Gulf of Aqaba should be free to all shipping and that the UNEF should keep the peace in Gaza. However, the communique is silent over what would be the course of action in case Egypt fails to abide by the resolutions. This is understandable in so far as the meeting coincided with the discussions between the U.N. Secretary-General and President Nasser, and nothing could have been said to affect the course of their deliberations. Whatever may ultimately turn out of the current crisis in West Asia, it needs to be constantly remembered that no political settlement in the area can attain finality if it is not accompanied by a solution of that area's pressing economic problems. If the West Asian countries are to be saved from the Communist danger, then it is essential for the Anglo-Americans to adopt a sympathetic and helpful attitude, both materially and morally, towards their betterment programmes.

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A Window on the World

INDIAN DEMOCRACY: A (SOBER) SUCCESS STORY

by

ODYSSEUS

DEMOCRACY, like any other system, has its weaknesses. The need to reconcile differing viewpoints may, for example, make for a slower pace of economic advance. And in inexperienced hands, as in the National Assemblies of the French Revolution, parliament may become a talking-shop, stultifying action. These weaknesses are to the fore in any newly inaugurated democracy. There is always a Napoleon ready to exploit the people's disillusionment that freedom has not, of itself, solved all problems. By offering speed and efficiency, dictators (whether individuals or a monolithic party) can get away with murder — metaphorically and literally.

As Professor W. H. Morris-Jones says in his outstanding book "Parliament in India" (Longmans, Green 1957. 35 sh.), the existence of parliament in India is no guarantee of its continuance.

If it is to survive, parliament must satisfy four expectations. It must (1) sustain and control the leadership of the government in such a way as to encourage initiative but not arbitrary government; (2) offer channels whereby grievances and aspirations can be heard; (3) provide a platform for the debate of policy so that alternative courses may be adequately considered; (4) afford opportunities not merely for the expression of public opinion but also for the education of broad sections of the people so that their opinions may be worth expressing.

For the ventilation of grievances, Parliament provides Questions, the liveliest time of the parliamentary day, on which the reputation of many a minister or member has been made or marred. Public interest in Questions is shown by the space given them in the press and by the frequency with which they provide matter for headlines and comment. In the four 1953 sessions of the Lok Sabha, 11,014 Questions put were followed up by 18,908 supplementaries. Other opportunities for the ventilation of grievances are Adjournment motions; Demands for grants; the bi-weekly Half-hour Discussions in which members can secure debate on any Questions to which they feel that they received inadequate answers; and finally, of course, in the debates on Bills in which it is often possible to put forward special interests.

CONGRESS: OPPOSITION AND GOVERNMENT

Even though these opportunities are fully exploited by members of the Lok Sabha, it can be objected that India lacks an opposition strong enough to force any serious modification of policy on the Government. Certainly there is an important element of truth in this objection, but Professor Morris-Jones makes the sound point that the Congress Party itself provides lively internal channels through which many representations can find their way upwards. The Congress Party is large enough to provide elements of both Government and Opposition within itself. It has after all, as we have just seen, to face the electors at stated intervals and it would ignore representations from below at peril of its political future. I do not suggest that the combination of Government and Opposition in one party is desirable, but it can at least be said that the situation is tolerable for the time being.

In its legislative record, Professor Morris-Jones observes that study of the debates of India's Parliament reveals that the main issues of principle are brought out and debated. The parties are, of course, (as in other countries) committed to their various views, but to an increasing extent they are learning that they must listen to others if their own contributions are to be effective, that they must debate, not merely make set speeches.

Without regarding it as a matter for congratulation that there is no effective Opposition, we can agree that it is wrong to imagine that the Indian Government is uncontrolled. From the Parliamentary committees, and from within the Party, come criticisms and suggestions that cannot be too easily brushed aside, and there are indications that these channels of control are being improved as the experience of members in public business grows.

Nobody would pretend that the millions who make up India's rural masses follow Parliament's day to day proceedings with passionate attention. For that matter in Western democratic countries a comparison of the small circulation attained by those newspapers which devote adequate space to serious news with the mass circulations of those which devote most space to entertainment suggests that the masses in no country are enthusiastically politically minded. The Professor's findings coincide with the analysis published here on August 26, 1955, in which comparison of a British with an Indian newspaper revealed the greater space devoted to parliamentary reporting in India. But when all qualifications have been made, Parliament in India can still be properly described as a public forum which contributes to the education of public opinion. Professor Morris-Jones records that during the seventy-two day Budget session of 1953, 50,000 tickets were issued for the visitors galleries and he found tightly packed and attentive crowds in the galleries at Poona, Trivandrum, and other State legislatures.

The potential value of a public forum is that it can benefit (a) the spectators, who may, by watching, learn and (b) the participants, who may have at least to find reasons with which to clothe the interests that they represent. A wide range of views finds expression in India's Parliament. Moreover, the influence of Parliament is more than political. "The habit of orderly public discussion once established helps to set the tone of public life in general," says Professor Morris-Jones, "Parliamentary behaviour can communicate as well as embody an understanding of how leadership can be combined with fairness, adherence to principles with toleration of different views. These ideas have already become part of the outlook of many sections in India. Their expression in an institution helps to ensure that they will be passed on to new generations."

Is Parliament un-Indian? This suggestion was resented in pre-independence days because its implication was that the British could not quit India. Today it can be readily conceded that, as has often been argued here (See e.g. "Is Democracy Possible in India?" January 23, 1953), democratic institutions are foreign to Asia, where government has been organised by the few far above the heads of the masses. Nor, for reasons advanced

here as recently as December 14, 1956, do I admit that village panchayats, admirable though their potentialities are, have hitherto had anything to do with democracy as practised in secret ballots and the election of representatives to legislate and govern on behalf of their constituents. The proceedings of a panchayat, a local group of village neighbours, cannot be identified with the proceedings at New Delhi in a body of 500 members assembled from all over India. Nevertheless, if democracy is new to India, it has developed steadily and firmly since the initial step towards it was taken by the Charter Act of 1833 which differentiated between the administrative tasks of the Governor-General and the lawmaking functions of the Governor-General-in-Council. From this embryo a direct line of development leads to the 1957 Parliament elected on adult franchise from an electoral roll of 193 millions.

Democracy is grounded on modern Indian experience. Moreover, does any other institution similarly grounded and equally serviceable for the purposes of a modern industrial state, exist in India? Sarvodaya could not run the Five-Year Plans or negotiate for the building of a steel plant. Sarvodaya may supplement Parliamentary democracy, but it is unlikely to supplant it.

Is Parliament a facade which hides the authoritarian dictatorship of the Congress Party? Those who used to think of independence as synonymous with the removal of a strong central government have to learn that the British Parliamentary system encourages powerful governments.

Is Pandit Nehru a dictator? "A durbar without a prince is nonsense," retorts Professor Morris-Jones, "but the Indian Parliament, for all the valuable influence of the Prime Minister, will still make very adequate sense when Pandit Nehru is no longer there." The life of an institution is longer than that of a man.

Do regional and caste loyalties falsify the true democratic process? Certainly these loyalties exist, but they have increasingly to compete with new loyalties, and the working of Parliament is one of the most important among the many factors contributing to weakening the old loyalties.

On the whole, then, and with qualifications for which we have no space, we can agree that Parliamentary democracy is justifying itself and strengthening its hold on India. The biggest unanswered question is whether the Five-Year Plan will progress at a pace tolerable to the people. It can at least be argued that if the Plan fails to fulfil all hopes, the fault is not likely to lie in the system of government so much as in extraneous and unpredictable catastrophies, such as the closing of the Suez canal or a persistent failure of monsoons.

Professor Morris-Jones concludes hopefully: "The 'experiment' is working and parliamentary institutions are more firmly established in the way of life of the Indian people than they are in that of many a country in Europe. One writer has referred to 'the totally novel stresses which may develop when the existing generation of Indian politicians and officials nurtured in British ways of thought and government, has disappeared.' There would be more to fear in this if it did not seem much more likely that experience of both Parliament and Civil Service has been so continuous that the 'ways of thought and government' are being passed on from one generation to the next — and passed on as Indian, not British."

"I look upon an increase in the power of the State with the greatest fear, because although while apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress."

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ENTENTE CORDIALE (LIMITED)

(From Our Special West European Correspondent)

PARIS, March 22.

THE city of Paris is preparing feverishly for the welcome she is to offer next month to the Queen of England. From all appearances, it will be the sort of royal welcome that only passionate republicans know how to offer a monarch. The treasures of the centuries are being pushed out of the Louvre to make space for a dinner that will be eaten before the averted gaze of the Venus de Milo and under the wings of the Victory of Samothrace; a theatre at Versailles that was last used by Louis XVI and Marie Antoinette has been refurbished; and every street in the city of revolutions has its citizens' committee to arrange elaborate decorations. One hesitates to think what lengths the Parisians would have gone to if the forthcoming visit had taken place in the circumstances foreseen at the time it was arranged last October. When Messrs Eden and Mollet planned the Queen's tour last autumn, at the euphorious height of the Entente Cordiale, it was intended that the armless statue with averted gaze displayed at the dinner should be that of Colonel Nasser, and that he should stand next to the Winged Victory of Suez. These plans having miscarried, Sir Anthony Eden will not even be present at the function. One wonders whether the Entente Cordiale will be either.

There was not a lot of cordiality or understanding at last week's meeting in Paris between Messrs MacMillan and Mollet. By one of those accidents that acquire significance in diplomacy, M Mollet could not even take dinner with the British Prime Minister and Foreign Secretary; he preferred to go to his grandson's second birthday party. This contrasts with the great friendliness of Messrs Eden and Mollet last year, when the Egyptian expedition was being planned. On none of the points discussed last week was agreement reached and on several major issues French and British views are totally opposed.

But Anglo-French disagreements are so far limited to the politicians and do not involve their peoples. The Entente Cordiale has actually stood up very well to the disastrous failure of the joint Suez campaign, which might easily have produced endless recrimination. After all, the decision to call the campaign off was taken unilaterally by the British and only agreed to by the French because they could not continue alone; decisions taken in such circumstances are apt to leave bitterness. But, although I have heard people in England say "The French led us astray" and although I have heard people in France say "The British let us down", on the whole both nations have agreed to put the blame on higher forces over which they had no control. That small section of French opinion that was opposed to the Suez adventure has been able to praise the British socialist opposition; and the small section of British opinion that was opposed to the final surrender has been able to praise the constancy of French determination. So there has been as much mutual admiration as recrimination across the Channel.

The evolution of public opinion in each country since last November has also taken a contrary course. Britain has suffered rather severely economically from the consequences of the Suez war and the closure of the Canal. France has suffered hardly at all, and if her economic situation today is hazardous this has less to do with Suez than with the continuance of the war in Algeria. There has been much repentance in Britain, some of it no doubt hypocritical, but serious enough to warrant the sacrifice of Sir Anthony Eden on the alter of public conscience and to cause a substantial loss of Conservative electoral strength. There has been no repentance whatsoever in France, where most people would be ready to begin the Egyptian campaign all over again tomorrow if it were guaranteed of better success. M Mollet is not only still in office, but the pro-Suez parties have gained in by-elections. M Mollet's Government may not last through the summer, but when it falls it will be on internal economic issues connected with the inflation caused by the Algerian struggle. And it will be replaced by a Government even more inclined to energetic action in the Middle East.

The unflinching French support of Israel throughout the recent crisis could also have caused further misunderstanding between London and Paris, but in fact British opinion, including the socialist opposition, has veered round to a more pro-Israeli line. Some anxiety was felt lately in Paris when it was rumoured that London was willing to compromise with Colonel Nasser in order to get the Canal open again as soon as possible, and M Mollet argued the case for continued intransigeance to Mr MacMillan last week. Actually, the main decisions in the Middle East lie henceforth neither with Britain nor with France, but with the United States, so Anglo-France differences of viewpoint are likely to be of minor importance — unless the British should revive Sir Anthony Eden's unhappy idea of some "revision" of Israel's frontiers. The vast contraction of both French and British influence in the Middle East has removed one of the major causes of friction in the past, but it is no comfort to these two nations to know that they can now be better friends because they have lost much of their former power.

Whereas, at the popular and sentimental level, the Entente Cordiale is as healthy as ever, at the political level several intricate disputes are brewing that could cause tension in the near future. These concern the British effort to withdraw troops from the Continent for economic reasons, and the French effort to get European capital into the French colonies in return for a reduction of tariff discriminations. The first of these is the more pressing for the British. London's plans for a reduction of the British Rhine Army have been universally condemned by her partners in NATO, headed by the Americans; there is no doubt that these plans originate not in a new British judgment on defence necessities but in the anxiety of the Conservative Party to get some spare cash wherewith to buy back popular favour after the disastrous electoral results of the Suez misadventure.

Britain's military allies could not be expected to look favourably on this decision to sacrifice the common security to the Tories' political needs, but the case has special interest for the French. In 1954 Sir Anthony Eden undertook to maintain British troops on the Continent in order to get the French to agree to German re-armament. Otherwise, remilitarisation in West Germany would have given the Germans a majority in the West European army; British troops would, by remaining on the Continent, prevent the Germans attaining this predominance, and it was only on that understanding that the French agreed to the Paris treaties. For Britain to go back on that promise now, even though it is admitted here that she has a good economic case, would leave the French numerically subordinate to the Germans. The question would be academic because recruitment in West Germany is proceeding much more slowly than had been hoped, but the French have withdrawn most of their own troops for the war in Algeria, so they are still anxious to see British troops remain on the Rhine in undiminished numbers. Once again, we see that the root and origin of most French difficulties and hence of many European problems is the continuance of the war in Algeria; if that war were stopped, the whole balance and complexion of European problems would change.

In the face of so much determined opposition from their allies, the British have had to agree to put off their plan for spectacular economies. This might have the beneficial effect of bringing London to consider more favourably the idea put up by M Mendes-France when he negotiated the Paris treaties in 1954: the plan for a common Anglo-French production of classical armaments. In general, one of the best hopes of military economy, both in the manufacture of classical and atomic weapons, for both Britain and France, is to undertake a common and rational programme of co-operation. But this hope is limited by the British belief that they will get more out of the USA if they do not co-operate too closely with the Continent.

The other problem concerns the results of incorporating the overseas territories in the common European market, a question that has been frequently referred to in these despatches. Mr MacMillan at one time passed for one of the most enthusiastic supporters of the common market scheme, but it was a sadly diminished enthusiasm that he displayed in Paris last week. It was obvious from the start that Britain's imperial responsibilities were inconsistent with her full co-operation with Euromarket, and that is why it was suggested here last October that Britain's main interest in Euromarket was to see that it never really came to life. Now that French determination has succeeded in getting the other Continental powers to accept the incorporation of the colonies, British interest has considerably diminished. If the British join a free trade zone that includes the French colonies but does not include British colonies, then the British colonies will be gravely disadvantaged in their trade with Europe. If Britain includes her colonies, then imperial preferences have been scrapped. The only possible explanation for London's sudden and recent discovery of this dilemma is that Britain never really believed that Euromarket would come to much — and that was why she was so ostentatiously in favour of it.

The talks in Paris last week ended in a decision to refer this matter to the experts, and when he got back to London Mr MacMillan said significantly that the experts might be at work for months and months. In other words, British interest in Euromarket has been put on ice, or rather will be limited henceforth to trying to get GATT to scuttle the European common market as an infringement of that international treaty. We have come a long way from last autumn's protestations

(Continued on page 490)

NORTHERN RAILWAY

NOTICE

The important features of the changes in Time Table that will take effect from the 1st April, 1957, are notified below:

(i) Existing trains which will be cancelled.

(a) Nos. 335 Up/336 Dn. between Ludhiana & Amritsar.
(b) Nos. 357 Dn/358 Up between New Delhi and Delhi.
(c) Nos. 1AFA/4AFA between Ayodhya & Faizabad.

(ii) New Trains which will be introduced.

(a) 9AP/12Ap between Patti and Amritsar. (b) 16 BQ/9BQ between Batala and Qadian.
(c) 10JN/9JN between Jullundur City and Nakodar.
(d) 305 Up/306 Dn. (Duplicate Kashmir Mail) between New Delhi and Pathankot and these trains will run from 15-4 to 31-8-1957.

(iii) Existing trains extended.

(a) Nos. 1 BHB/2 BHB Suratgarh — Hanumangarh Passenger extended to and from Bhatinda.
(b) Nos. 63 Up/64 Dn. Toofan Expresses extended to and from Delhi.

(iv) Trains amalgamated to run as through trains.

(a) Nos. 2UC/2SU amalgamated to run as through train between Ambala City & Saharanpur.
(b) Nos. 353/354 Dn. and 339 Up/340 Dn. amalgamated to run as through trains between Lucknow and Amritsar.
(c) Nos. 6JA/2LJU/10 LJ & 9LJ/ILJU/5JA amalgamated to run as through train between Amritsar and Jakhal and renumbered as 5APJ/3ALJ.

(v) New connections secured.

(a) No. 2 MSN with I PL at Sirhind. (b) No. 62 Dn. with 2 LC at Kanpur-Central.

(vi) No. 1 HDK/2HDK will run to summer timings between Hazrat Nizamud-din and Delhi Kishanganj from 1-4-57.

(vii) Nos. 1BDL/2BDL between Delhi Sarai Rohilla and Loharu and 3 BDH/4BDH between Delhi Sarai Rohilla and Hissar have been designated as Express Diesel Rail Car III and Mail fares will be charged by these trains.

(viii) Nos. 1BDF/2BDF are primarily meant for C.O.D. workers and the passengers are booked from various stations as shown herein:

(a) No. I BDF — From Delhi for Farukhnagar only
„ Delhi Sarai Rohilla to Patel Nagar, Delhi Cantt and Farukhnagar, only.
(b) No. 2 BDF — From Farukhnagar to Delhi Sarai Rohilla, Delhi Cantt & Delhi only.
On Gazetted holidays passengers are booked to and from other stations too.

(ix) For details regarding through and Sectional services to be cancelled through and Sectional services to be introduced, reference may be made to the Time Table.

(x) (a) 200 Miles distance restriction for class III passengers on 31/32 Frontier Mails will be imposed on Delhi — Amritsar section instead of on Delhi — Jullundur City section.
(b) The distance restriction of 100 miles in case of class II and 200 miles in case of class III passengers on 73/74 Howrah — Amritsar Mails will not apply on stations between Varanasi Cantt. — Lucknow both inclusive.

(xi) Air-conditioned accommodation will be provided daily instead of tri-weekly on 305/306 and 61/62 trains running between Delhi — Pathankot Delhi & Kalka respectively.

(xii) For other details and timings at intermediate stations reference may be made to April, 1957 Time Table and Guide available for sale at Railway Bookstalls. Hindi & Gurmukhi Time Table will also be available for Sale at the Railway Bookstalls.

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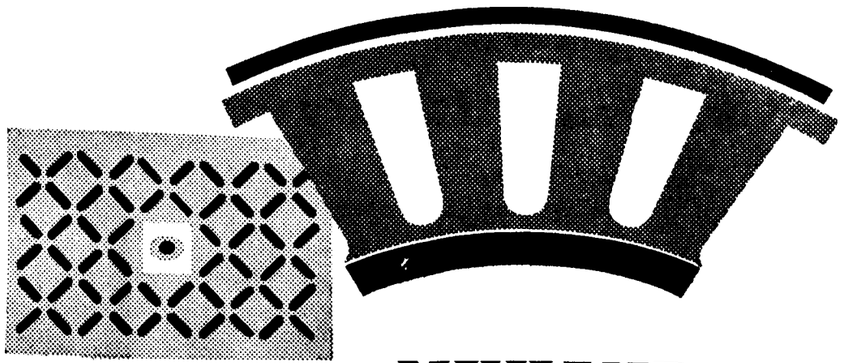
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WORLDGRAM

AGRICULTURE

Record Farm Output in E.C.A.F.E. Region: Agricultural production in the ECAFE region (excluding the mainland of China) was at a record level in the crop year 1955-56 exceeding the pre-war average by nearly one-fifth, though still below the pre-war average on a per capita basis, according to a survey conducted by the ECAFE. The increases, however, it says, were mainly confined to a few countries and did not reflect widespread improvement in the food situation. In Japan, the improvement in supplies was reflected in easing of the pressure on prices of cereals, and distribution of rice was liberalised. On the other hand, in India, Indonesia and Pakistan, where the cereal crops harvested towards the close of 1955 or early in 1956 were smaller than in the previous seasons, prices rose appreciably and public attention was keenly focussed on the food situation. This deterioration in the food situation vividly revealed the possibility of sharp increases in the prices of cereals, in response to a relatively small decline in production coupled with factors like hoarding and speculation and indicated the need for remedial action. The survey reveals that most of the crops—cereals, root crops, pulses, sugar, tea—were large: the production of cereals, in particular at over 120 millions tons, was 16 per cent above the pre-war average and even higher than the previous post-war record-achieved in 1953-54. The upward trend in root crops and pulses noticeable in recent years was maintained during 1955-56, the increases over 1954-55 being more than 4 per cent in both cases. On the mainland of China also the output of food grains in 1955-56 officially reported at 184 million tons, was stated to have exceeded that in 1953-54 by 8.5 per cent.

*

Commonwealth Cotton Output: Cotton production in Commonwealth and Sudan fields last year reached a record of 1,279,000 bales, the British Cotton Growing Association announced in its annual report. This was more than 50,000 bales higher than the production of the previous year. The Sudan, Aden and Tanganyika all set new records.

*

Rajasthan Cotton Ginning Factories Amendment Bill: The President has given his assent to the Cotton Ginning and Pressing Factories (Rajasthan Amendment) Bill, 1956. The Bill amends the Cotton Ginning and Pressing Factories Act, 1925, with a view to provide for the licensing of factories and for prohibiting and controlling the admixture of cotton. The Bill has been promoted on the recommendation of the Indian Central Cotton Committee.

*

Cattle and Poultry Development: Several reports and technical programmes relating to various schemes of cattle and poultry development in India were discussed recently by the Animal Breeding Committee of the I.C.A.R. Important among the 94 schemes scrutinized by the Committee was a co-ordinated scheme on investigating the potentiality of cross-breeding indigenous breeds with Jersey bulls. Other schemes discussed by the Committee related to the causes of delayed maturity in Indian cattle, the relative value of selective breeding and grading up and developing the milking capacity of drought animals. Schemes relating to sterility in cattle were also discussed by the Committee. Besides, a number of schemes on the possibilities of developing poultry in India were considered by the Committee. Important among them were the Duck Breeding Scheme in Kerala and Izatnagar, the laying trials carried out in Izatnagar, the chick-hatchery processing plant set up at Katpadi and the influence of different climatic conditions on poultry production.

INDUSTRY

Manufacture of Radio Parts: A model scheme to manufacture radio components, particularly transformers and chokes, has been prepared by the Small Industries Organisation of the Ministry of Commerce and Consumer Industries. The scheme envisages training of the workers for about four to six weeks at a central workshop in the process of manufacture. After training, they can be supplied with tools necessary for coil-winding and assembling in their homes. The radio receiver industry in India is of recent origin. Until recently it was primarily engaged in the assembling of radio sets with imported components. With the adoption of the policy of progressively stopping the imports of these components by the Central Government, the position has changed and most of the parts, except valves, are now manufactured in the country.

*

Industrial Estates: A scheme for the establishment of an industrial estate at Ghaziabad and four other places in U.P. in addition to the two estates already in the process of being set up at Kanpur and Agra, has been proposed by the U.P. Government to the Government of India. The industrial estate at Ghaziabad would cost about Rs. 25 lakhs and is expected to give a fillip to the development of small-scale industries in the district. A minor industrial estate, to cost about Rs. 3 lakhs, in the Community Development block in Ghaziabad's rural area has also been proposed. The schemes have been sent up to the Centre and the State Government is awaiting approval.

*

Revised Standards for Shellac and Bleached Lac: The Indian Standards Institution has just published Indian standard specifications for shellac (revised) and bleached lac (revised). These standards are revisions of Indian standards of shellac and dry bleached lac which were originally published in 1949. In addition to the methods of test given in the draft ISO recommendation for shellac, the Indian standard includes methods of test for determination of rosin, Westinghouse method for flow and non-volatile matter soluble in cold alcohol. The revised Indian standard makes colour index an essential requirement although the draft ISO recommendation has made it optional. The standard deals with terminology and sampling of shellac and prescribes two type of this material, namely hand-made and machine-made. In addition, this standard includes requirements volatile matter (moisture) matter insoluble in hot alcohol, wax, rosin, orpiment, ash, matter soluble in water, flow, heat, polymerization acid value and lead content.

*

D.D.T. Production During February 1957: During February 1957, 48 tons of technical D.D.T. was produced in the D.D.T. Factory at Delhi. This marks the highest average daiiy output of D.D.T. since the starting of the factory. The factory also produced 85.22 tons of formulated D.D.T. during the month. Despatches of technical D.D.T. during the month amounted to 10.4 tons and of formulated D.D.T. to 89.2 tons. In connection with the Alwaye D.D.T. project, a revised offer for the construction of the formulation plant has been received from Messrs. Singmaster and Breyer and is under consideration

*

Draft Standards for Structural Sections: The Indian Standards Institution has circulated, for eliciting comments, two draft Indian standard specifications

covering rolled steel sections. These drafts lay down the nominal dimensions and basic geometrical properties of tee bars and bulb angles in the metric system. The draft Indian Standards bring out briefly the considerations governing the decisions of the ISI committees in the formulation of these standards. Apart from tee bars anad bulb angles covered by these drafts, other structural sections on which standards are under preparation by the Sectional Committee concerned, include cold-formed light-gauge sections, tubes for structural purposes, special sections, etc. Comments on these draft standards may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before April 25, 1957.

TRADE:

Raw Jute Export From East Pakistan: Sales of raw jute for export from East Pakistan in February totalled 280,785 bales, compared with 264,087 bales in the previous month. Larger purchases by countries in the sterling area were responsible for the slight improvement in sales, as sales to other areas recorded a substantial decline during the month under review. Of the total sales during the month under review, the sterling area account for 143,509 bales, dollar area for 27,938 bales, continental area for 78,738 bales and other areas for 30,600 bales. The corresponding figures for January 1957, were 47,723 bales, 34,470 bales, 113,683 bales and 68,211 bales. India topped the list of buyers during the month under review with a purchase of 82,005 bales followed by the U.K. with 32,710 bales.

*

Fish Guano Export: The quota fixed for the export of fish guano from the port of Bombay for the current half-year has been exhausted and no further application for the export of the same will, therefore, be entertained, says a Press note issued by the Joint Chief Controller of Exports.

*

Adverse Trade for Ceylon in December: Ceylon had an adverse trade balance of Rs. 907,000 during December 1956, compared with the favourable balance of Rs. 27.3 million in December 1955, according to customs returns. Ceylon had a favourable trade balance of Rs. 101.6 million last year compared with 479 million in 1955. Value of exports during 1956 amounted to Rs. 1,734.5 million being Rs. 205.5 million less than in 1955. Value of imports during 1956 amounted to Rs. 1,629.3 million being Rs. 170 million more than in 1955.

*

Promoting Exports of Indian Handicrafts: The All-India Handicrafts Board under the Ministry of Production is considering measures for promotion of exports of handicrafts. As a first step, the Board is collecting names and addresses of all exporters of Indian handicrafts with a view to holding discussions with them to understand and assess their problems. These discussions will help the Board to frame concrete measures of assistance and advice to exporters of handicrafts. Handicrafts exporters, who have so far not registered their names with this Board, are requested to send in their names and addresses to the Deputy Director (Marketing), All-India Handicrafts Board, Ministry of Production, Government of India, Janpath, 'A' Barracks, New Delhi.

FINANCE

Grant For Research on Ambar Charkha: The Government of India have sanctioned a grant of Rs. 62,920. of which Rs. 28,000 is for non-recurring expenditure and Rs. 34,920 for recurring expenditure on a scheme of research on Ambar Charkha to be undertaken by the Ahmedabad Textile Industries' Research Association, Ahmedabad. The grant is subject to the condition that the results of the research and experiments conducted out of this grant would be the property of the All-India Khadi and Village Industries Board. The Government of India have also sanctioned the release of a sum of Rs. 66.8 lakhs to the All-India Khadi and Village Industries Board to be utilized as loans for the implementation of Ambar Charkha programme during the current financial year. In respect of Khadi, a sum of Rs. 5 lakhs has been placed at the disposal of the All-India Khadi and Village Industries Board to be utilised during 1956-57 for distribution of implements and accessories at concessional rates for increasing the production of Khadi.

*

Small Urban Loans For D.Ps. From West Pakistan: A sum of Rs. 35.8 lakhs has been allotted by the Central Ministry of Rehabilitation to various Regional Settlement Commissioners and Additional Regional Settlement Commissioners for grant of urban loans to displaced claimants from West Pakistan during the current financial year. The allotments for Regional Settlement Commissioners at New Delhi, Lucknow, Jullundur, Patiala and Jaipur are Rs. 9 lakhs, Rs. 7.50 lakhs, Rs. 6 lakhs, Rs. 3 lakhs and Rs. 3.5 lakhs respectively. A sum of about Rs. 14 lakhs will also be advanced to displaced non-claimants during the current financial year. These allotments during the total expenditure so far on small urban loans to Rs. 14.97 crores. The loans given to displaced claimants are to be ultimately adjusted against the compensation payable to loanees. No interest is charged on these loans. Loans up to Rs. 5,000 in each case are given to displaced persons from West Pakistan under the Small Urban Loan Scheme to enable them to settle in business, trade, industry and other professions in urban areas.

*

Payments in Decimal Coinage: Payments to be made to holders of National Savings Certificates, National Plan Certificates, Defence Savings Certificates, and Post Office Cash Certificates will be calculated in terms of Rupees and Naye Paise instead of Rupees, Annas and Pies with effect from April 1, 1957, simultaniously with the introduction of decimal coinage in the country. The surrender value of these certificates will be converted into the new coinage on the basis of the ready reckoner published by the Government of India. Steps are being taken to bring out a new series of these certificates showing the table of surrender values in the new decimal coinage.

GENERAL

Manufacture of Brass Utensils on Modern Lines: A model scheme for the manufacture of brass utensils has been prepared by the Small Industries Organisation of the Ministry of Commerce and Consumer Industries for the guidance of small industrialists. The scheme has been evolved for helping enterprising small industrialists to break away from old methods of production and to manufacture on modern lines brass utensils for which there is a big demand in the country. With a view to helping small industrial units to produce quality goods and step up their output this model scheme has been prepared and issued in the form of a booklet. It gives basic data regarding the requirements of machinery and equipment, raw materials, capital investment, manufacturing cost etc. Copies of the scheme can be had free of cost from the office of the Development Commissioner, Small Scale Industries, 114, Sunder Nagar, New Delhi, and the Regional Directors of Small Industries Service Institutes in New Delhi, Calcutta, Bombay and Madras.

NEWS IN BRIEF

INDIAN

The Government of India propose to introduce new safety measures for the dock workers against dangers in the transport of explosive ethyl fluids at the ports.

*

The Government of India have decided to extend for a further period up to September 30, 1957, the existing arrangements for payment to displaced Central and Provincial Government pensioners of advances of pensions pending the transfer of their pensions from Pakistan.

*

The Government of India have accepted the detailed Project Report drawn up by Associated Electrical Industries, the consultants for the Heavy Electricals Project sponsored by them, for the establishment of a factory for the manufacture of heavy electrical equipment in India. The factory will be located in Bhopal, Madhya Pradesh; and preliminary steps in that connection are already in progress.

*

A model scheme for the manufacture of activated charcoal, a decolourising agent used in chemical industries, from rice husk has been prepared by the Small Industries Organisation of the Ministry of Commerce and Consumer Industries for the guidance of small industrialists.

*

The Union Ministry of Commerce and Consumer Industries has sanctioned about Rs. 17 lakhs for setting up two production centres in Kerala State, under a programme for setting up a network of production centres throughout the country to absorb matriculates in gainful employment.

*

Nearly 16,000 tons of machinery, equipment and steel structurals have already arrived in Bhilai from the Soviet Union for the one million-ton Bhilai Steel Plant.

*

An occupation-wise analysis of 73,915 scheduled caste applicants registered with the Employment Exchanges at the end of 1956 revealed that 69 per cent were unskilled workers and 9.7 per cent were applicants for clerical jobs. Technicians constituted 4.8 per cent of the number and 1.4 per cent desired to enter teaching profession.

*

The Indian Standards Institution has issued five Indian standards covering methods of test for determination of colour fastness of textile materials to acid spotting, cross-dyeing, (wool), degumming, perspiration, and alkali spotting

*

The Central Geological Department has recommended survey of Garhwal and Almora districts of U.P. for reserves of magnesite deposits in view of its increasing demand under the expansion of iron and steel industry in the country.

*

Several research schemes on fruit growing, floriculture, vegetable production and improvement of spice crops were considered at the four-day session of the Horticulture Committee of the I.C.A.R. recently.

FOREIGN

In the European area of Nyanza Province, the area under tea is increasing at the rate of some 2,000 acres a year. The estimated tea acreage planted in 1956 in Nyanza was Kerich, 1,600 acres, Nandi, 500 acres and Sotik, 200 acres. The estimated production for the same areas are 17,994,450 pounds, 1,345,524 pounds and 643,190 pounds respectively.

*

An order for the supply of "English Electric" Canberra Jet aircraft and spares worth ten million dollars has been signed between the English Electric Company and the Government of Venzuela.

*

It is reported business activity in the U.S. is at a record breaking high, but the sharp upward movement that marked 1956 has ended.

*

New Zealand had a 3.9 million surplus in overseas exchange transactions for the year ended January as compared with a deficit of £26.1 million for the 12 months to January, 1956.

*

The percentage of world crude oil reserves held by the Soviet Union and Eastern Europe nearly doubled during 1956, according to figures issued by the German BP Company.

*

West Germany is to buy 30,000 tons of Egyptian rice for DM 12 million (£.02 million) and in addition, will pay $3 million into Egypts account with the Swiss Bank for 2 million yards of poplin.

*

A new French State Loan, in the form of a prize bond issue which is estimated to yield between Frs. 100,000 million and Fr. 150,000 million (£100-150 million) has been announced.

*

The South African Railways Capital expenditure in the coming financial year is estimated at £72 million against £66 million for the year ending this month.

*

The Federation of Malaya Government has received legislative approval of a five year development plan costing $M. 1,138 million.

*

Exports of cine equipments from the U.K. for 1956 totalled £2,491,252 according to figures issued by the Incorporated Association of Kinematograph Manufactures.

*

Total earnings from East African railway and harbour services in January were approximately £1,859,000 compared with £1,952,000 in the same month in 1956 and £1,908,000 in December last.

*

The Transportation Ministry of Japan estimates new ships laid down in coming fiscal year will total 2,287,000 gross tons and those completed 2,200,000 tons, both of which exceed fiscal 1956.



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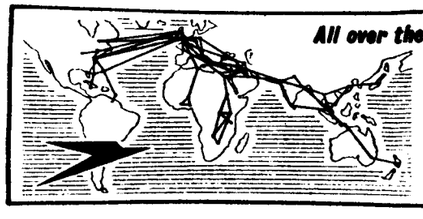
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Special Article

TEN YEARS OF ECAFE

(CONTRIBUTED)

THE Economic Commission for Asia and the Far East, established on March 28, 1947, by the Economic and Social Council under the Charter of the United Nations, has made useful contribution in several directions to the efforts of the countries of the region to accelerate the rate of their economic progress. It would be appropriate at this stage to assess its work in the first decade.

ECAFE's solid activities are best seen in relation to the assistance it has rendered to individual countries. Burma has today one of the most modern iron and steel plants in Asia, and in the world, in the erection of which ECAFE had a share for which it can claim genuine credit. For centuries Burma produced rice, teak and, later, rubber in abundance. Undoubtedly, for this raw-material-producing country, the manufacture of iron and steel was a new venture. Much research had to be done and many important decisions taken before the way was clear for the construction of the first iron and steel plant in Burma. During the planning stage some of the Burmese officials to whom authority for the construction of the new plant had been entrusted joined a group of iron and steel experts from several Asian and non-Asian countries on a study tour of Japan. The trip was organized by two United Nations agencies—ECAFE, which had given the impulse, and the Technical Assistance Administration, which had provided the finances. What the Burmese engineers saw in Japan, and the technical discussions which they had during that study trip among themselves, with their colleagues from other countries, and with ECAFE's iron and steel experts, resulted in radical changes in the plans for Burma's iron and steel plant—changes that proved their value to the Burmese Government and Burmese economy.

In neighbouring Thailand a new large irrigation and navigation dam was ceremoniously opened only a short time ago by the King and the Prime Minister. The water that will flow into Thailand's central plain through a well-controlled and vast network of canals will produce another 500,000 tons of rice for export. The project of the dam is half a century old, for the suggestion was first put forward in the reign of King Chulalongkorn; but it was only since the last war that the Thai Government succeeded in securing, from the World Bank, that bit of financial support that had always been lacking in the past. And when the dedication ceremony of the new dam took place, credit was given to international assistance: to the World Bank that had advanced $18 million toward the total cost of $58 million, to FAO, for having sent an economic agricultural mission to Thailand when the project was being planned, and to ECAFE which, through assisting with hydraulic tests in a scale laboratory, had saved Thailand about a million dollars.

Ten years ago, when ECAFE came into being as a temporary organization to give effective aid to war-devastated countries, it would have required a good deal of imagination to visualize the organization as it exists today. ECAFE, which started as a small research body, has adapted itself to these changes and the Commission has branched out into a multitude of activities affecting almost all aspects of Asian economic life. The handful of ECAFE secretariat staff people who assembled at Shanghai, ECAFE's first headquarters, under the leadership of ECAFE's first executive secretary, Dr. Lokanathan, were doing a pioneering job in collecting reliable data and statistics, and ascertaining the most pressing needs of the various Asian countries. The effects of war were still being felt everywhere in Asia, politically and economically. Politically, the independence movement in Asia had not reached its climax, and not all the new countries of Asia had yet become Members of the United Nations. In fact, Asian countries were heavily outnumbered in ECAFE's original membership, and continued to be a minority for some years. In ECAFE's original membership Asia was represented by China, India, the Philippine Republic and Thailand. The non-regional countries in ECAFE were Australia, France, the Netherlands, the Union of Soviet Socialist Republics, the United Kingdom and the United States of America. Ten countries thus set ECAFE off on its course, under the wider supervision of the Economic and Social Council of the United Nations. But ECAFE's membership, and to some extent also its so-called geographical scope, grew rapidly in course of time. Today the Commission has twenty-four members, of whom seventeen are in the region and seven outside. The Commission's geographical scope, that is, the immediate area of its activities, now embraces a region stretching from Afghanistan to Japan, and from Korea down to Indonesia. To tackle the constitutional problem of getting admitted into ECAFE the Asian countries that were not self-governing or whose constitutional position was in a state of uncertainty or dispute, the device of associate membership was evolved. This proved useful, but by now all associate members have become full members of the Commission, with the exception of Hong Kong, Malaya and British Borneo. ECAFE thus grew into the largest and most important regional agency of the United Nations in Asia.

ECAFE, as one of the regional branches of the United Nations, is entrenched, as it should be, in the vast and important region it serves. For centuries Asian countries were oriented outside Asia and there was little intercourse among them. When this situation changed after the war, ECAFE became the first independent regional rallying ground for Asia in the economic field. For ten years now ECAFE has been a forum for Asian economic co-operation and efforts. It is one of the most fascinating episodes in the history of nations to witness how in Asia energetic reconstruction, rehabilitation, and development efforts are made by national governments under the spur of newly won independence, while at the same time this Asian nationalism is blended with the international idea of co-operation and assistance through such agencies as ECAFE. As the quest for independence has by and large been brought to a victorious conclusion, it is realized that political freedom must rest on a sound economic foundation, and that national, regional, and global co-operation is required to ensure a brighter future.

How, it may be asked, has ECAFE furthered economic development? After tentatively probing a multitude of economic problems, the Commission gradually evolved a systematic method of operation which centres around the meetings of the Commission. These meetings, held usually in a different country every year, are ECAFE's highest forum at which senior delegates, many of cabinet rank, meet to discuss their countries' economic situation and problems, review ECAFE's activities and map out a plan of work for the secretariat for the years to come. To provide such a meeting place is one of ECAFE's most important functions. In the first two years of its existence, the Commission met twice a year in full session. The increase in membership and scope of activities soon led to a growth in the structure and status of the Commission.

A committee on industry and trade was established, and in subsequent years there followed the inland transport committee and a large number of sub-committees. These committees and sub-committees meet annually or, in some cases, every other year and, like the Commission, though on a lower but more technical level, they bring together delegates for expert discussions. In addition, ECAFE has during the years arranged many working parties on special topics of importance. Moreover, regional conferences have been held, of which the largest were on trade promotion, flood control and water resources development, mineral resources, statistics, etc. In all these activities, as an organ of inquiry and recommendation, ECAFE has been directed and guided by requests and needs of the governments of its member States. ECAFE's secretariat, which services the Commission, acts as research and statistical bureau, and as a consulting agency for short-term services. During the past ten years ECAFE has prepared some 1,000 studies and reports. The secretariat's 'Economic Survey', published annually since 1948, contains a mine of facts, industriously assembled, carefully analyzed and commented upon.

One of the most important and distinct contributions ECAFE has made to Asian economic life relates to regional co-operation and to the development of regional projects. These projects have assumed an increasing role in ECAFE's activities. In this field, as in others, ECAFE has closely co-operated with other United Nations agencies, especially with the Technical Assistance Administration of the United Nations which has financed several of ECAFE's regional projects. Various types of projects have been developed: training courses and centres, seminars, study groups and group visits. ECAFE has initiated and is closely associated with the United Nations regional railway training centre at Lahore (Pakistan) and it participates with ILO in the establishment of the regional training centre for diesel marine mechanics at Rangoon (Burma). In other instances ECAFE, though not a sponsor, has assisted in various ways. Another type of regional project is study tours, several of which have been organized by ECAFE (and paid for by TAA). Thus, Asian iron and steel experts went to Japan on one of those study tours, railway experts to Europe, lignite experts to Australia, inland waterway experts to Europe and the United States, cottage industry experts to Japan, geologists and mining experts to the USSR and Europe, and electric power engineers to the USSR, Europe and the United States. There are other regional projects of very considerable significance.

One of the most ambitious, a kind of Tennessee Valley project, is the plan for the utilization of the Mekong. The Mekong is one of the largest rivers in Asia, it flows through several countries, and there is great scope for regional co-operation in the field of power, irrigation, and navigation. ECAFE experts first surveyed the potentialities of the Mekong in 1952 and a few months ago a reconnaissance team of senior experts visited the Mekong again to make concrete recommendations. Another instance of ECAFE's work and initiative is the signing of a special convention, drawn up under ECAFE's auspices, for the measurement and registration of inland waterway vessels.

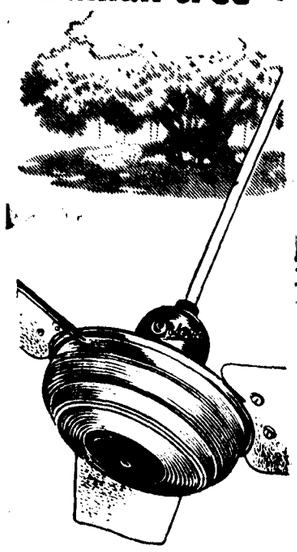
When at an ECAFE meeting in Tokyo somebody suggested that "invisible" exports be also included in trade statistics, another delegate quickly rose to inquire how "invisible" exports could be made visible. Similarly, many of the results of ECAFE's activities are not always tangible enough to become "visible," though their value to the countries concerned and the region as a whole may not be doubted. ECAFE has no executive power; it can only recommend. ECAFE is not a banking or financial institution, and it cannot build factories or dams. However, it has become, as a delegate of an Asian country put it, a "favoured and effective instrument of economic co-operation in Asia and the Far East," and as such it has made its contribution to Asian economic life. And as the economies of Asian countries develop, there is a constantly growing need for economic co-operation, which is the very essence of ECAFE's existence.

(Continued from page 482)

of British attachment to the Continent, just as we have come a long way from Sir Anthony Eden's "historic decision" in 1954 to maintain British troops on the Continent in time of peace.

So at the political level the Entente Cordiale has entered a new and fragile phase of its uneven career. But we must not conclude that it is seriously in danger, least of all when the UN and the USA are busy creating the conditions for a new war in the Middle East which may yet require another display of Anglo-French solidarity. Britain and France have always been uneasy friends, but friends withal. Certainly there will be much deep sincerity in the gorgeous demonstrations of amity that are being prepared for next month's visit by the Queen.

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The Business World

OUT-HERODING HEROD

By

CROESUS

OUT-HERODING HEROD is a pastime in which politicians seem particularly to delight especially at election time, but even after the din of elections is over, there are a few who want to persist in this pastime. Since the elections began, it is understandable that the Congress should have staked its all, as it were, on the success of its Five-Year Plan by even going to the extent of calling it as a Plan which has been accepted by the whole country, notwithstanding the serious differences between some sections of the public and the Government on certain aspects of the Plan, although as regards the objectives broadly there can be said to be no two opinions. After this performance of the Congress, it is not surprising that our Government spokesmen should vie with one another in swearing by the Plan and saying that the outlay thereon can only be raised and not reduced. How the Union Finance Minister is going to do this still remains to be seen, though the premonitions about a further stiff dose of taxation next May are there all right. However, Mr. T. T. Krishnamachari's ingenuity could be depended upon fully to rise to the occasion, but some industrialists in Parliament belonging to the Congress seem to feel they can do the thinking in advance of Mr. T. T. Krishnamachari and steal the thunder from the latter. Commendable though the anticipation may be, it has unfortunately all the signs of impatient and immature thinking. Take, for instance, the fantastic proposals of Mr. Chandulal Parikh in the Rajya Sabha on Monday (25-3-1957). I am surprised and shocked that an industrialist of his calibre should have come forward with such suggestions which would not bear even a moment's impartial scrutiny. Not even his desire to excel all others in his party in their consuming passion to speed up India's industrialisation in terms of the second Five-Year Plan can extenuate this impetuosity.

One of the several radical or rather fantastic suggestions that this enthusiastic linetower has put forth for finding the resources to go ahead with the second Plan is the proposal to have a 100 per cent increase in the excise duty on superfine cloth. Before examining to what extent this suggestion is feasible in the existing circumstances, that is, in the context of the steadily declining trend in the production, export and consumption of superfine cloth in the country, it is relevant to recall that the excise duty on superfine cloth already stands raised from 2½ annas per square yard to 4 annas per square yard — this was done only towards the end of August last. While it is not known to what extent the expected additional revenue of Rs. 17.5 crores to the Central Exchequer from the increase in excise duty on all varieties of cloth was actually brought about, the guess can be safely hazarded that, inasmuch as there is very little demand in the country itself for superfine cloth as reflected in the steadily declining trend of production (exports also have fallen ranging as these do, from 0.82 million yards to 1.89 million yards in 1956) and the perceptible accumulation of superfine cloth stocks with the mills, any attempt at further increasing the excise duty, let alone hundred per cent, on this variety of cloth, as proposed by Mr. Chandulal, is deliberately to kill our superfine mills.

Mr. Chandulal is not content merely with proposing this utterly unwarranted impost on the cotton mill industry but he wants to hit the later in yet another way — albeit by implication — that is by making it impossible for the mills to produce superfine cloth by limiting or banning imports of costly Egyptian cotton, on the score that this entails large sums of foreign exchange. One can appreciate this concern of his for our parlous foreign exchange position, but it seems unbelievable that one so closely connected with the mill industry as Chandulal should have asked (by inference) for restricting imports of Egyptian cotton, without pausing to think of the serious consequences. Does Mr. Chandulal think that the Indian mill industry can do without Egyptian cotton, especially after having reportedly entered into an agreement with that country for importing 40,000 bales of Egyptian cotton? Granting, for argument's sake, that this is possible, what will happen to those mills in our country which are equipped to produce superfine cloth? If superfine cloth production were to be restricted, would not a large labour population become superfluous and would not this, in turn, lead to their being thrown out of employment? (The second Plan, let it not be forgotten, has to provide additional employment for 10 million people, excluding the educated classes and the backlog of un employment of 5.3 millions from the first Plan). Perhaps Mr. Chandulal conveniently forgets that, as it is equipped today, the Indian cotton mills could do with out most varieties of foreign cotton but not without a given minimum of long-staple cotton as is grown in Egypt. Moreover, one should not forget that trade is after all bilateral. We cannot expect to increase our exports to Egypt unless we are prepared to import something from that country, and it is common knowledge that cotton is one of the severely limited range of commodities that Egypt is in a position to export. If, therefore, we refuse to take Egyptian cotton or reduce even our normal annual offtake, we must be prepared, **ipso facto** to restrict our exports to that country. Are we in a position to do this when the cry is more of export and not less of it?

It is true that every effort must be made to limit our foreign exchange outlay but, as Mr. T. T. Krishnamachari has categorically stated in Parliament, our foreign exchange position even today is not that bad as to compel us to adopt some desperate measures as a few members like Mr. Chandulal and others have advocated.

Constructive suggestions towards a speedy implementation of the second Five-Year Plan, even on a war basis, would always be well received. And those who come forward with such suggestions could rightly feel proud of their contribution to the successful implementing of the Plan. But, for an industrialist, especially one who hails from Bombay, or rather, who represents Bombay, to say that the excise duty on superfine cloth should be doubled to speed up the Plan implementation tantamounts to nothing short of irresponsibility. If the textile industry, which is already cramped by a restricted production policy, has to suffer suggestions like the one under discussion, and that from one of its own spokesmen, then the industry must be said to have fallen on evil days indeed.

TWO ECONOMIES—A CONTRAST

(CONTRIBUTED)

AT the end of Chou En-lai's visit to Moscow last month, Mr. Khrushchev once again proclaimed his belief in the inevitable ruin of the capitalist economy — that is to say, any economy not closely modelled on Soviet lines. The scarcity of economic information about Communist countries makes it difficult to compare the real development of a totalitarian and a free economy, but to a certain extent, the case of West and East Germany is something of an exception. Here we have a country which since the end of the war has been split in two, and one part has been subjected to the full impact of the strait-jacket of economic and social Sovietisation. Mr. Khrushchev has said that by building Socialism and Communism in the Soviet bloc, the final downfall of capitalism would be hastened because, to quote his words, a good example is a great force. How good has the example been? The publication by the Economic Commission for Europe of a study of economic developments since the end of the war is particularly timely, and it provides some interesting answers.

The secret weapon of the Soviet type of economy is considered to be its high rate of "accumulation", that is that part of the national product which is set aside for capital formation. Yet since 1951, at the beginning of long-term planning in East Germany, the rate of accumulation was 10 to 12 per cent in East Germany and 20 to 25 per cent in West Germany. While West Germany's investment had benefited from the very large volume of external aid, especially from 1948 to 1950, East Germany's investment, up to the end of 1953, was limited by the deadweight of reparations. Moreover, West German investment was spread over almost all sectors of the economy, while by far the greater share of East Germany's investment went into new projects for heavy industry. And their economic foundations were not primarily dictated by the requirements of East German industry but by the general economic policy for the Soviet bloc as enforced by the Soviet Union.

Before the war East Germany exchanged its products, many of them consumer goods, for raw materials and other goods from the West. The increasing integration of the East German economy into the Soviet bloc and the demands of the satellite countries created fresh problems. Satellite orders were concentrated on basic materials and investment goods, and shortage of foreign exchange prohibited them from importing consumer goods. East Germany was driven to a foreign trade programme and a degree of self-sufficiency ill-suited to its highly specialised productive structure. West Germany did not have to contend with problems of this kind. Her exports and her trade surplus were rising and she could freely buy raw materials in foreign markets.

Agriculture offers an even more striking picture of diverging developments. As late as 1950, East Germany was still a net exporter of food to West Germany, as she had been in pre-war years. Yet since 1951 she has been a net importer. In point of fact, agricultural output increased at a much faster rate in the West than in the East. Communist propaganda asserts that it is only through collectivisation that mechanisation of agriculture can really become effective, yet the level of agricultural mechanisation is much less advanced in East Germany with her Machine Tractor Stations than on the farms of West Germany. It is for this reason that East Germany's agricultural output is so seriously affected by the shortage of agricultural manpower. The much lower yields of crops are the direct result of a severe shortage of fertilisers. They have to be imported in part from the West, and the necessary foreign exchange is scarce. For the same reason, the acute shortage of seed potatoes cannot be made good through imports. Before the war, East Germany was one of the most important potato-growing regions of Central Europe.

West Germany, benefiting as she does from the more balanced structure and the external aid which she received at a crucial stage in her economic development, was able at a time of world-wide expansion to adapt herself quickly to the new pattern of demand, both domestic and foreign. But East Germany, despite her undoubted considerable progress in recent years, has been far less successful.

The wide differences in the economic development of West and East Germany lend no support to Mr. Khrushchev's pessimistic forecast about the future of non-Communist economies. But it does provide evidence of the impact of political and social factors on economic action. In East Germany all economic measures are determined by Communist Party policy, as formulated in Moscow. Fixing the share of wages in the national product at a low level is a political decision which workers must accept. They can only express opposition by a fall in the quantity and quality of their products. In West Germany the workers, through their trade unions and political parties, can and do press for wage increases, and in support they can use the strike weapon. Of this freedom of economic and social action, denied to the workers in the Soviet bloc it can be said (to borrow Mr. Khrushchev's phrase) that a good example can be a great force.

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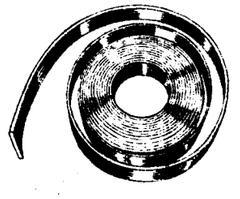
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BUSINESS NOTES

PERSPECTIVE PLANNING FOR SHIPPING

AMONG THE surprises which have given a rude shock to our original anticipations in the second Five-Year Plan, the crisis which has overtaken the programme for the expansion of shipping raises issues of first rate importance. These issues demand early solution which must be found out if the nation is not to be made to pay a heavy price in the form of retarded progress and avoidable expenditure of scarce foreign exchange on freight for shipping. Mr. Dharamsey M. Khatau has uttered a note of caution for timely action in his presidential speech at the last annual general meeting of the Scindia Steam Navigation Company. The gist of his argument is that finance must be provided to prevent the threatened shortfall in the conservative target of expansion of shipping to 9 lakh GRT by March 1961 and more significantly a long-term view must be taken of planning for the development of shipping. This is easy to appreciate. The order books of all the overseas shipping yards are practically full till the end of March 1961 and possibly deliveries of ships to be ordered for the second Plan may be delayed beyond that period. This grave contingency underlines another precaution. We must adopt perspective planning in the case of shipping and draw up the programme for the third Plan right now if we are not to stumble upon the same difficulty for the third Plan as we are experiencing now. This warning has been uttered with deliberate accent by Mr. N. R. Pillai in his address at the last annual meeting of the Hindustan Shipyard.

This crisis of foreign exchange is looming large in the shipping development programme. The allocation of Rs. 37 crores made in the second Plan as the resources to be provided by the Government has been swallowed by the first phase of expansion in which 175,000 GRT only could be acquired. Costs, however, are going up steadily. The market for second-hand tonnage is becoming prohibitive. The price of the American Liberty ships in the moth-ball fleet is usually regarded as an index of the price of second-hand ships. It rose steeply from Rs. 24 lakhs to Rs. 89 lakhs in three years ended December 1956. The price of new ships increased recently by 28 per cent and now no yards are prepared to quote a firm price, while the situation is getting so tight that they decline to quote a price subject to a ceiling on escalation. We need another Rs. 40 crores to complete the target of 9 lakh GRT fixed for the second Plan. Government is not prepared to commit itself to this additional outlay for the simple reason that this expenditure requires foreign currency. The yield from this outlay, however, will be spectacular. The additional tonnage to be acquired with it will raise earnings of shipping in terms of foreign exchange by Rs. 7 to Rs. 8 crores per year pushing up the total earnings of Indian shipping to an annual rate of Rs. 20 crores in foreign exchange by March 1961. The purchase loans can be repaid in a period of seven years. Shipping is among the priority projects which the World Bank is prepared to finance by loan. The case for such a loan should be vigorously pursued with the Bank. What is of fundamental importance, planning should look beyond March 1961 from now onwards.

REASONABLE RETURN FOR ELECTRICITY UNDERTAKINGS

THE ROLE of the private sector in the electricity industry is considerable as can be seen from the fact that some 50 per cent of electricity is still produced and 75 per cent distributed by private undertakings in the country. Being an indispensable public utility, a reasonable rate of return is vital to its healthy functioning and growth because capital will not flow to an undertaking which finds it difficult to pay a fair return to the investor. It is apparently in recognition of this fact that the Electricity (Supply) Amendment Act of 1956 incorporated in it a provision for "automatic adjustment" of the Standard Rate of return to follow fluctuations in the money market so that the industry may not be forced to carry on a hand-to-mouth existence.

But Government's actions are sometimes mysterious and how this legislative intent has been thwarted in effect has been brought out by Mr. K. G. Milne in his forthright address to the annual meeting of the Ahmedabad Electricity Company Limited where he has subjected Government's policies to a searching scrutiny. How the recent decision of the Reserve Bank has affected the electricity industry adversely is best described in the words of Mr. Milne himself. He observes: "Hardly had the ink used in the new legislation dried when the announcement by the Reserve Bank came to the effect that as from February 1, 1957, the rate of interest on advances to scheduled banks against Government and other eligible securities had been raised to 4 per cent while at the same time the official Bank Rate was unchanged at 3½ per cent." He goes on: "For the electricity industry this announcement came as a bolt from the blue for unless upon pressure of circumstances, the Bank Rate itself is officially raised to line up with the Reserve Bank's lending rate for advances to scheduled banks, we are again caught by the necessity to plead for Parliamentary enactment so as to keep in line with the changes in the value of money." In effect the real object behind the amendment is being defeated. Government ought to pay heed to these words and act in time to avoid any injury to this vital industry.

Mr. Milne also devoted a considerable part of his speech to other problems facing the electricity industry. He was particularly critical of the Finance (No. 3) Act, with its provisions for compulsory deposit with the Reserve Bank in respect of depreciation allowances given under Section 10(2) of the Income Tax Act. He pertinently observed that the Electricity (Supply) Act had already made its own provisions towards an identical end, namely, the investment of depreciation allowances in the business or in Government securities and has, therefore, pleaded that consequently the industry must be exempted from the operation of the relevant part of the Finance Act. Yet another serious problem facing the industry is the import of heavy electrical plant and capital goods for future projects in the country. The prevailing foreign exchange crisis has no doubt further added to the difficulties, but Mr. Milne is justified in hoping that in view of its importance in the economy, the industry will receive priority consideration in the allocation of foreign exchange for necessary capital imports.

REVIVING INTERNATIONAL TEA AGREEMENT

THE SUGGESTIONS made by Mr. J. P. H. Benet, Chairman of the Indian Tea Association, at the annual meeting of the Association deserve serious consideration. The reviving of International Tea Agreement has become imperative primarily for two reasons. Firstly, the bulk of teas produced in our country are common teas which are facing harder competition as more producing areas are coming into the field year after year with resultant over-production of this type of teas. Secondly, the inability of Indian tea industry on account of a very rigid cost structure and a high export duty to adjust itself to the necessities of a buyers market except within narrow limits operates as a severe handicap.

Not only that, in recent years, tea production has been started on a commercial scale in many countries.

The People's Republic of China and Formosa which stopped exports of tea during the war have rehabilitated their industry. Africa, though a comparatively newcomer to the tea world is one of the important of the exporting countries competing with India. There is a danger as a result of this ever-increasing output and export of tea from the old and new producing countries of a crisis being brought about in the tea industry of those regions which on account of their climatic and soil conditions could produce only common teas.

In view of these circumstances Mr. Benet has urged that it is essential that "an international tea agreement should be signed if only by India and Ceylon in the first instance. The existence of such an agreement should make it easier for those two countries to come to terms over the regulation of exports in future years and circumstances may later make other countries see the benefits of becoming parties to it also, especially if production increases significantly in Indonesia and Africa, and exports from China and Japan continue to expand." In this context it is most instructive to recall what the Plantation Enquiry Commission has to say on the effect of the international tea agreement which has expired and has not been revived since then. The Commission has demonstrated by statistical proof that the actual acreage under tea has been usually below what was allowed in the agreement. It has, therefore, no restrictive effect on output. Besides it offers a guarantee against wide price fluctuations.

HURDLES AGAINST HIGHER PEPPER EXPORTS

THE ACCENT is now on exports and more exports to help ease our foreign exchange position. Stressing the need for augmenting the country's scarce resources of foreign exchange, Mr. Lakshmipat Singhania, President of the Federation of Indian Chambers of Commerce and Industry, stated, at the 30th annual session of the Federation, on March 23: "It is imperative that export promotion should be looked upon as a joint and national responsibility". While it is true that several Export Promotion Councils have been instituted under the auspices of the Government, it is at the same time indisputable that the benefits accruing therefrom are equally shared by industries in the public and the private sectors alike. Only the actions of some of these Councils often tend to be hidebound, inasmuch as these bodies do not enjoy the same degree of freedom and flexibility that is associated with a private and non-Governmental institution.

That the private interests are quick to take the cue whenever an opportunity presents itself was only recently demonstrated by the promptness with which the Pepper and Ginger Merchants' Association, Ltd., Bombay, apprised the American Trade Mission, who were in Bombay in the first week of this month, to be precise, of the practical difficulties in the way of promoting the export of black pepper, especially to America. Mr. Mariwala, President of the Association, one of the leading pepper merchants in the country, drew pointed attention to the higher freight on pepper and some technical rigidity in the terms and conditions of the American Spice Trade Association's Contract, as the two major hurdles that the pepper exporters in India have to overcome.

Referring to the question of freight on pepper, the P.G.M.A. Chief stated that there had been a tendency for shipping companies to increase freight on the slightest pretext. The move, he recalled, was initiated when pepper prices were around the peak levels, and he conceded that, during the boom period, this upward revision in freight was not unjustified or unfair, wherefore it did not evoke criticism from the trade at the time. However, time has changed since and the price of pepper is now only one-eighth of the boom level. Accordingly, he said, there was urgent need for downgrading the freight. The freight now works out to as much as about 30 per cent of the value of pepper, and, unless this is reduced, as Mr. Mariwala pointed out, the competitive position of Indian pepper will be seriously handicapped. In this connection, he made a very reasonable suggestion when he put it to the American Trade Mission that the original freight rate might be restored, to which could, of course, be added the subsequent increases necessitated by the closure of the Suez Canal.

In regard to the A.S.T.A. Contract, the Association brought to the notice of the U.S. Trade Mission that, despite the Association's several representations, no action has been taken. According to one of the clauses of the Contract, allowance for extraneous matter to the extent of 1 per cent is given, but no allowance is given for an excess of 2 per cent of light pepper. Actually, as per the terms and conditions of the American Spice Trade Association's Contract, 2 per cent of light pepper and 1 per cent of extraneous matter, in all 3 per cent are allowed. But, the Association complained that the U.S. buyers of Indian pepper continue to deduct any excess over 2 per cent from the value of the invoice, even though the total percentage is within the 3 per cent limit.

If the U.S. Trade Mission were to use its good offices to rectify these technical defects, the export trade in pepper, particularly to the U.S.A., which accounts for 60 per cent of India's annual pepper exports, would pick up considerably. Coming in the wake of the beneficial results arising out of the visit of the Indian delegation (sent by the Export Promotion Council for Pepper) to Central European countries towards the end of August last, this should help further to augment our foreign exchange earnings.

PROGRESS OF MYSORE SOAP FACTORY

THE RS. 18-LAKH expansion of the Mysore Government Soap Factory, which is among the premier State-owned units in the country, — thanks to the genius of Sir M. Visvesvaraya who conceived the idea and gave it shape when he was Dewan of Mysore, years ago — and which the Governor of Mysore inaugurated at Rajajinagar, Bangalore, last Monday, is of interest not merely to Mysoreans but to the country as a whole, because this expansion will help to augment the exports of soap, particularly toilet soaps, from this country. According to what the Minister for Industries, Mr. C. M. Poonacha, observed whilst welcoming the Maharaja of Mysore, the prospects of a stable export trade for Mysore toilet soaps seems to be bright, judging from the good reception accorded to the limited quantities of these soaps introduced in the overseas markets. Reports from Malaya, Hong Kong, and East Africa and even Canada and the U.S.A., where Mysore Sandal Soaps are being sold, have shown that these soaps are steadily growing in popularity. This is, indeed, heartening news at a time when the country is facing an acute shortage of foreign exchange.

While not only the Mysore Government Soap Factory — whose total annual output even after the latest expansion is, after all, only 600 tons per year — but every soap factory in India ought to strive and increase the country's soap exports, it is also necessary, at the same time, that soap consumption within the borders of India also should increase considerably. In comparing the **per capita** soap consumption of 23 lbs. in the U.K., 24 lbs. in Japan and 29 lbs. in the U.S.A., with the negligible figure of one lb. in our country, therefore, the Governor of Mysore gave a vivid idea of the enormous leeway that remains to be covered by us in this direction. And he rightly added that cleanliness was not merely a matter of appearance but was essential for one's mental and physical health as well. It is surprising that there should, even to this day, be such a hopelessly inadequate appreciation of this simple thing, and that, in a land where we talk of cleanliness as next only to Godliness. Has cleanliness, by any chance, gone down the priority list after we have chosen to make India a Secular State?



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RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

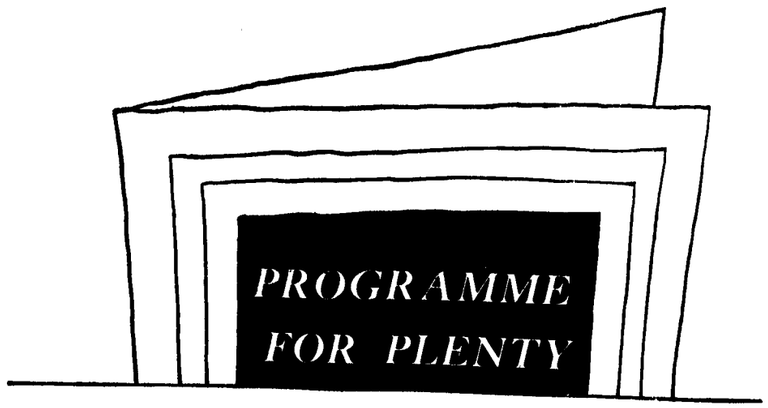
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TEXTILE MACHINERY CORPORATION LIMITED

TXC 4

THE UNITED COMMERCIAL BANK, LIMITED.

(Incorporated on 6th January, 1943.)

FOURTEENTH REPORT
OF THE
BOARD OF DIRECTORS

The Directors submit to the shareholders the Audited Balance Sheet of the Bank as on, and the Profit and Loss Account for the year ended, 31st December, 1956.

The net profit for the year, after providing for all known and anticipated charges and including Rs. 27,761-2-0 brought forward from the previous account, amounts to	Rs.	56,79,419	10	9

The Directors have made the following appropriations out of the net profit:

Transfer to Reserve Fund	Rs.	20,00,000	0	0
Provision for Taxes	„	16,00,000	0	0
Provision for Bonus to Staff	„	6,50,000	0	0
Balance	„	14,29,419	10	9
	Rs.	56,79,419	10	9

Out of the balance of Rs. 14,29,419-10-9 the Directors recommend to the shareholders the payment of a Dividend at Rs. 3-8-0 per share, free of income-tax, which will absorb Rs. 14,00,000, leaving Rs. 29,419-10-9 to be carried forward to the next year's account.

The Bank's business continued to expand during the year and the profit showed a substantial increase as compared to the preceding year.

Demand for money continued unabated throughout the year.

The Bank Rate remained unchanged at 3½% but the rate of interest on both deposits and advances rose steadily throughout the period. After the turn of the year the Reserve Bank of India raised the rate of interest to scheduled banks on advances against Government Securities from 3½% to 4%.

The Bank's investments appear in the balance sheet at below market value.

During the year branches of the Bank were opened at Kuala Lumpur in the Federation of Malaya and Rourkela.

The Directors are thankful to the shareholders and the clients of the Bank for their continued support. They also express their gratitude to the Bank's advisers and advisory committees for their able help and guidance.

Under Article 95 of the Bank's Articles of Association four of your Directors—

Shri G. D. Birla

Shri M. R. Ruia

Shri G. D. Kothari

Shri Yogindra N. Mafatlal

retire by rotation, and being eligible, offer themselves for re-election.

The Shareholders are requested to appoint auditors for the current year and to fix their remuneration.

BY ORDER OF THE BOARD,

G. D. BIRLA

Chairman.

CALCUTTA,

12th March, 1957.

The United Commercial

Balance Sheet as at

31-12-1955 — **CAPITAL AND LIABILITIES**

Rs.	Rs.		Rs. As. Ps.	Rs. As. Ps.
		1. CAPITAL:		
8,00,00,000		**Authorised Capital:** 8,00,000 shares of Rs. 100 each	8,00,00,000 0 0	
4,00,00,000		**Issued and Subscribed Capital:** 4,00,000 shares of Rs. 100 each	4,00,00,000 0 0	
	2,00,00,000	**Amount Called Up:** 4,00,000 shares at Rs. 50 per share		2,00,00,000 0 0
		2. RESERVE FUND AND OTHER RESERVES:		
	95,00,000	Reserve Fund (including that under Sec. 17 of the Banking Companies Act) . . .		1,15,00,000 0 0
		3. DEPOSITS AND OTHER ACCOUNTS:		
19,53,88,974		Fixed Deposits	22,57,81,483 2 1	
4,51,03,195		Savings Bank Deposits	5,22,24,625 13 5	
23,64,32,225	47,69,24,394	Current Accounts, Contingency Accounts, etc.	24,34,69,478 15 8	52,14,75,587 15 2
		4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.:		
4,05,50,000		(i) In India	3,49,00,000 0 0	
20,06,539	4,25,56,539	(ii) Outside India	1,11,856 11 11	3,50,11,856 11 11
		Particulars:		
		(i) Secured		
4,24,15,285		(a) By part of Investments per contra Rs. 4,91,20,000 0 0		
Nil		(b) By part of Bills Discounted and Purchased per contra Rs. 3,57,80,000 0 0 . .	3,49,00,000 0 0	
1,41,254		(ii) Unsecured	1,11,856 11 11	
4,25,56,539		. . . . .	3,50,11,856 11 11	
54,89,80,933		Carried Over		63,79,87,444 11 1

Bank, Limited.

31st December, 1956.

31-12-1955 — **PROPERTY AND ASSETS**

Rs.	Rs.		Rs. As. Ps.	Rs. As. Ps.
		1. CASH:		
	3,99,64,036	In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)		4,45,98,493 14 4
		2. BALANCES WITH OTHER BANKS:		
		(including Foreign Government Treasuries)		
		On current account:		
8,97,991		(i) In India Rs. 18,67,061 2 2		
1,90,54,159	1,99,52,150	(ii) Outside India Rs. 2,79,42,529 9 8 .	2,98,09,590 11 10	
		On deposit account:		
Nil		In India (Staff Security)	6,80,000 0 0	3,04,89,590 11 10
	22,00,000	**3. MONEY AT CALL AND SHORT NOTICE**		Nil
	6,21,16,186			7,50,88,084 10 2
		4. INVESTMENTS:		
		(at below market value)		
19,55,86,864		(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	17,22,35,838 15 3	
		(ii) Shares:		
45,812		(a) Fully Paid Preference Shares . .	4,18,212 8 0	
..		(b) Partly Paid Preference Shares .	5,98,400 0 0	
30,18,622		(c) Fully Paid Ordinary Shares . .	32,05,325 0 0	
14,25,000		(iii) Debentures or Bonds	9,50,000 0 0	
		(iv) Securities of the U.S.A., Burma, Malaya and Pakistan Governments and Foreign Trustee Securities . .	1,69,09,374 0 3	
2,15,97,194		(v) Gold	..	19,43,17,150 7 6
..	22,16,73,492			
		5. ADVANCES:*		
		(other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)		
		(I) Loans, Cash Credits, Overdrafts etc.:		
16,35,73,873		(i) In India Rs. 19,03,16,638 3 3		
1,48,57,553		(ii) Outside India Rs. 3,50,34,588 4 4	22,53,51,226 7 7	
		(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)		
4,77,63,064		(i) Payable in India Rs. 9,01,22,990 11 1		
4,96,24,682	27,59,19,172	(ii) Payable outside India Rs. 6,90,57,911 7 6	15,91,80,902 2 7	38,45,32,128 10 2
	55,97,08,850	Carried Over		65,39,37,363 11 10

* For particulars, please see page 505.

The United Commercial Bank, Limited.

Balance Sheet as at 31st December, 1956.

31-12-1955 Rs.	Rs.	CAPITAL AND LIABILITIES	Rs.	As.	Ps.	Rs.	As.	Ps.
	54,89,80,933	Brought Forward				63,79,87,444	11	1
	60,78,407	**5. BILLS PAYABLE**				1,50,33,072	12	6
		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra:						
2,40,27,476		(i) Payable in India	3,25,36,141	1	8			
2,86,96,814	5,27,24,290	(ii) Payable outside India	3,36,41,643	7	4	6,61,77,784	9	0
		7. OTHER LIABILITIES:						
1,73,75,719		(i) Branch adjustments	1,25,76,358	2	0			
2,34,190	1,76,09,909	(ii) Unclaimed Dividends etc.	2,08,367	10	9	1,27,84,725	12	9
	19,03,53,101	**8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra**				18,17,29,612	14	11
		9. PROFIT AND LOSS:						
11,08,724		Profit as per last balance sheet	11,27,761	2	0			
10,00,000		**Less** Dividend	11,00,000	0	0			
1,08,724			27,761	2	0			
36,69,037		**Add** Profit for the year	56,51,658	8	9			
37,77,761			56,79,419	10	9			
		Less Appropriations made:						
8,50,000		To Reserve Funds Rs. 20,00,000 0 0						
14,00,000		To Provision for Taxes Rs. 16,00,000 0 0						
4,00,000	13,27,761	To Bonus to Staff Rs. 6,50,000 0 0	42,50,000	0	0	14,29,419	10	9
		10. CONTINGENT LIABILITIES:						
		(i) On Partly Paid shares	Rs. 5,45,000	0	0			
		(ii) Claims against the banking company not acknowledged as debts	Rs. 5,65,588	7	6			
		(iii) Guarantees given on behalf of customers and Correspondent Banks	Rs. 5,73,81,375	3	11			
		(iv) On Foreign Bills Re-discounted of which up to 9-3-57 Rs. 30,88,511-12-6 have run off	37,24,722	15	2			
		(v) Forward Exchange Contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers of which up to 9-3-57 Rs. 17,85,818-6-0 have been delivered.	Rs. 36,32,26,562	9	7			
		(vi) Bonus claims by employees for 1950, 1951 and 1952 not acknowledged as debts and disputed by the Bank before the respective Tribunals.						
		(vii) There is a liability for outstanding bills, not certified by the architects, in respect of construction of the Bank's building at New Delhi.						
81,68,74,401		TOTAL RS.				91,51,42,060	7	0

31-12-1955 Rs.	Rs.	PROPERTY AND ASSETS	Rs.	As.	Ps.	Rs.	As.	Ps.
	55,97,08,850	Brought Forward				65,39,37,363	11	10
		6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra:						
2,40,27,476		(i) Payable in India	3,25,36,141	1	8			
2,86,96,814	5,27,24,290	(ii) Payable outside India	3,36,41,643	7	4	6,61,77,784	9	0
	19,03,53,101	**7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra**				18,17,29,612	14	11
		8. PREMISES LESS DEPRECIATION:						
14,62,256		Cost as per last balance sheet	18,27,188	8	9			
3,64,932		Additions (Rs. 5,64,590-6-3) **Less** deduction (Rs. 50,769-0-0) during the year	5,13,821	6	3			
18,27,188			23,41,009	15	0			
2,93,564	15,33,624	**Less** depreciation written off to date	3,94,698	14	5	19,46,311	0	7
		9. FURNITURE AND FIXTURES LESS DEPRECIATION: (including vehicles and equipment)						
56,69,013		Cost as per last balance sheet	59,55,094	0	0			
2,86,081		Additions (Rs. 4,76,271-14-1) **Less** deductions (Rs. 1,31,484-13-1) during the year	3,44,787	1	0			
59,55,094			62,99,881	1	0			
34,11,657	25,43,437	**Less** depreciation written off to date	39,23,930	13	7	23,75,950	3	5
		10. OTHER ASSETS, INCLUDING SILVER:						
15,14,906		(i) Land and Buildings: Cost as per last balance sheet Rs. 21,53,125 0 5; Additions during the year (Premises under construction) Rs. 8,57,220 5 0; Rs. 30,10,345 5 5						
6,38,219								
21,53,125		**Less** depreciation written off to date Rs. 1,81,089 6 11	28,29,255	14	6			
1,65,174								
19,87,951								
25,36,514		(ii) Interest accrued on Investments	16,30,126	15	2			
46,33,856		(iii) Estimated amount of refund of Income-tax (Income-tax assessment for six years 1951 to 1956 not yet completed)	37,35,655	5	7			
8,52,778		(iv) Stamps and Stationery	7,79,999	12	0			
..	1,00,11,099	(v) Silver	..			89,75,037	15	3
..		**11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS**				..		
..		**12. PROFIT AND LOSS**				..		
81,68,74,401		TOTAL Rs.				91,51,42,060	7	0

The United Commercial Bank, Limited.

Profit and Loss Account for the Year Ended 31st December, 1956.

31-12-1955	EXPENDITURE	Rs.	As.	Ps.
Rs				
86,28,848	1. Interest paid on deposits, borrowings, etc.	1,17,81,166	7	6
78,93,141	2. Salaries and allowances and Provident Fund (Salary, allowances and bonus of General Manager Rs. 93,593-6-0)	85,84,702	4	0
42,516	3. Directors' (Rs. 39,050) and Local Committee members' fees and allowances	47,712	0	0
11,53,162	4. Rent, Taxes, Insurance, Lighting, etc.	12,92,823	7	9
1,04,421	5. Law charges	50,724	5	7
5,09,338	6. Postage, Telegrams and Stamps	5,49,136	10	4
96,358	7. Auditors' fees for statutory and periodical audits	95,419	13	5
7,06,833	8. Depreciation on, and repairs to, the Banking Company's property	6,75,841	9	1
7,85,278	9. Stationery, Printing, Advertisement, etc.	7,99,105	11	11
..	10. Loss from sale of, or dealing with, non-banking assets	..		
7,81,444	11. Other Expenditure	8,07,827	1	9
36,69,037	12. Balance of Profit (Subject to Taxation)	56,51,658	8	9
	Rs. 10.241-6-6 paid as law charges to a solicitors' firm of which a director is a partner.			
	The above expenditure includes, besides leave salary of Rs. 96,000, a sum of Rs. 52,631-15-9, being **ex-gratia** payments by way of allowances for ex-General Manager.			
2,43,70,376	TOTAL	Rs. 3,03,36,173	0	1

REPORTS OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the foregoing Balance-Sheet of The United Commercial Bank Limited, as at 31st December, 1956 and also the foregoing profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the Branch returns audited by the Statutory or other Auditors.

In accordance with the provisions of Section 29 of the Banking Companies Act, 1949, read with the provisos to sub-sections (1) and (2) of Section 211 and sub-sections (5) of Sections 211 and 227 of the Companies Act, 1956, the Balance-Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with the Sixth Schedule to the Companies Act, 1956; they are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Compaines Act, 1949.

We report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank;

(d) The Bank's Balance-Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;

(e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1956, and the Profit and Loss Accouunt gives a true and fair view of the profit for the year ended upon that date.

Calcutta, 12th March, 1957.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
CHARTERED ACCOUNTANTS

Year Ended 31st December, 1956.

31-12-1955	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Rs.	As.	Ps.
1,63,89,715	1. Interest and Discount	1,81,98,308	13	5
75,52,814	2. Commission, Exchange and Brokerage	1,20,13,920	8	11
1,22,945	3. Rents	1,20,319	9	9
..	4. Net profit on sale of investments, gold and silver, land, premises and other aassets (not credit to Reserves or any particular Fund or Account)	..		
..	5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserve or any particular Fund or Account)	..		
..	6. Income from non-banking assets, and profit from sale of, or dealing with, such assets	..		
4,902	7. Other receipts	3,624	0	0
..	8. Loss	..		
2,43,70,376	TOTAL	Rs. 3,03,36,173	0	1

G. D. BIRLA
Chairman

S. T. SADASIVAN
General Manager

I. P. Goenka
A. C. Law
G. L. Bangur
P. D. Himatsingka
R. L. Nopany
M. L. Shah
Directors

M. R. Ruia
M. L. Dahanukar
M. L. Tapuriah
Y. N. Mafatlal
G. D. Kothari
T. S. Rajam
Directors

P. R. SESHAN
Ag. Chief Accountant

Rs	PARTICULARS OF ADVANCES:	Rs.	As.	Ps.
22,50,39,497	(i) Debts considered good in respect of which the banking company is fully secured	31,08,22,115	9	2
1,95,94,738	(ii) Debts considered good for which the banking company holds no other security than the debtors' personnel security	3,55,21,181	0	1
3,12,83,937	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	3,81,88,832	0	11
Nil	(iv) Debts considered doubtful or bad, not provided for	Nil		
27,59,19,172		38,45,32,128	10	2
Nil	(v) Debts due by directors or officers of the banking company of any of them either severally or jointly with any other persons	1,28,910	1	0
2,27,00,295	(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	2,83,79,002	5	11
1,66,500	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	2,01,823	13	0
4,49,67,956	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners, or managing agents or, in the case of private compaines, as members	2,92,54,700	12	7
15,92,228	(ix) Due from banking companies	14,41,455	7	7

COMPANY AFFAIRS

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION

The second annual report of the Industrial Credit and Investment Corporation of India, Ltd., discloses that, by the end of December, 1956, the Corporation had agreed to give financial assistance of as much as Rs. 601 lakhs in one form or the other to industrial undertakings (in respect of 24 applications). In addition to this, fifteen applications, which were under examination at the end of the year, involved a total, we are told, of another Rs. 600 lakhs. Of the Rs. 601 lakhs actually sanctioned, Rs. 295 lakhs were in the form of loans, Rs. 238 lakhs by way of underwriting of ordinary and preference shares, and Rs. 68 lakhs in the form of direct subscription of ordinary and preference shares. Notwithstanding the fact that Rs. 601 lakhs worth of financial assistance was decided to be sanctioned thus, the actual disbursements at the end of the year under review stand at a relatively lower figure. This has, of course, been explained by the Directors in their Report as being due to several factors, such as disbursement of loans not in their entirety, but according to the needs of particular projects, spreading over of instalments over a period, investment of monies in shares only when needed and the difference between the Corporation's eventual subscription to shares 'vis-a-vis' the actual amount of underwriting.

At the rate at which the Corporation has been helping industries, it may not be very long before the entire resources of the Corporation, consisting of paid-up shares and loan from the Central Government, will have been more than accounted for. It is just as well, therefore, that the Directors of the Corporation have already started giving attention to what they should do in the event of such a situation.

Of particular interest to industrialists in the private sector, especially when the foreign exchange position of the country is as parlous as it has turned out to be, is the reference in the report that, up to the end of last year, there was no opportunity for making use of the loan of $10 million or their equivalent in other currencies, made available to the Corporation by the World Bank for purposes of meeting external costs on projects and undertakings assisted by the Corporation. Until recently, the promoters of new projects were in a position more or less to obtain their requirements of foreign exchange in the ordinary course, which explains the absence of any draft on this source of the Corporation's finances. But, now, as a result of the shortage of foreign currency and the consequent revision of import licensing policy, the Directors rightly anticipate that there will be demand for this also, and it is gratifying to note from the Report that the Corporation is ready to assist applicants by making use of these facilities in suitable cases where loans in foreign currency are sought.

The Directors have themselves drawn attention to the fact that the market quotations of a number of the Corporation's investments are lower than the book costs. Explaining the reasons for this, which are nothing unusual in the early years of new companies, the Board gives the assurance that the position would be constantly kept under review, besides providing substantial amounts by way of reserves.

The general reserve of the Corporation, as at the end of December, 1956 was Rs. 10 lakhs. The net earnings of the Corporation before tax amounted to Rs. 36.99 lakhs, which is an improvement over the net earnings for the previous accounting period (ten months only) of Rs. 28.56 lakhs. After providing for all expenses and depreciation and income-tax, the net profit for the year under review amounted to Rs. 21.65 lakhs. The Second Annual Report of the ICICI is not only important because it relates to the first year in which the Corporation has recommended a dividend of 3½ per cent free of income-tax, but also because it is the first Report which gives full particulars of companies in which the Corporation's funds have been invested or to which loans have been disbursed. This is, indeed, a welcome decision on the part of the Board.

Obviously, the increasing activity of the Corporation makes the present premises in which the Corporation is located inadequate, which explains the decision of the Corporation to erect a building of its own. Actually, a plot has been acquired from the Government for this purpose.

THE UNITED COMMERCIAL BANK LTD.

The fourteenth report of the Bank's Board of Directors, and the audited balance sheet and profit and loss account for the year ended December, 1956 (which is published in detail elsewhere in this issue) shows that the Bank conducted satisfactory and expanding operations during the year. This is reflected in a substantial increase in profits over the previous year, from Rs. 36,69,037 to Rs. 56,51,658-8-9, subject to taxation. Together with the balance of Rs. 27,761-2-0 brought forward from the previous year, the profit totals Rs. 56,79,419-10-9. From this amount, the Directors have transferred Rs. 20 lakhs to the Reserve Fund, and have provided Rs. 16 lakhs for taxes and Rs. 6.50 lakhs for bonus to staff. That leaves a balance of Rs. 14,29,419-10-9 available for distribution. Out of this balance, the Directors have recommended payment of a dividend at Rs. 3-8-0 per share, free of income-tax, which absorbs Rs. 14 lakhs, leaving a net balance of Rs. 29,419-10-9 to be carried forward to the next year's accounts.

Throughout the year, the demand for money continued unabated and there is a general feeling of monetary stringency. As a result of increasing demands for accommodation the rate of interest on both deposits and advances rose steadily during the year. The Bank Rate, however, remained unchanged at 3½ per cent. Early this year, the Reserve Bank raised the rate of interest to scheduled banks on advances against Government Securities by ½ per cent from 3½ to 4 per cent.

The Bank expanded its activities to the Federation of Malaya and established a branch in Kuala Lumpur. It also opened a branch at Rourkela during the same year.

THE
UNITED COMMERCIAL
BANK LTD.
Head Office : 2, India Exchange Place, Calcutta.
London Office : 12, Nicholas Lane, E. C. 4
Paid-Up Capital Rs. 2,00,00,000
Reserve Fund Rs. 1,15,00,000
Chairman
G. D. BIRLA
SHORT AND LONG-TERM DEPOSITS
RECEIVED AT ATTRACTIVE RATES
SAVINGS ACCOUNTS WELCOMED
General Manager
S. T. SADASIVAN

Company Meeting

THE AHMEDABAD ELECTRICITY CO., LTD.

Speech of the Chairman, Mr. K. G. Milne

Gentlemen,

I would like to refer first of all to the resignations of Sir Purshotamdas Thakurdas and Mr. Ambalal Sarabhai from your Board of Directors during the year. Since the Company's inception 44 years ago, Sir Purshotamdas Thakurdas has given it his invaluable guidance. So too Mr. Ambalal Sarabhai, with 38 years of active membership on your Board, has been prominent in furtherance of the Company's well-being. With their intimate knowledge of affairs, and of the City of Ahmedabad, they have each rendered untold services to this Company, and I am sure you will wish to associate yourselves with the resolutions which were passed by the Board expressing their high appreciation.

The health of a controlled Industry like Electric Supply is greatly dependent on the regulatory climate in which it functions. We have the Electricity (Supply) Act, 1948, modified by the Electricity (Supply) Amendment Act, 1956, as our chief weather-maker on the stormy shores of the general economy. Shareholders must be anxious to know how far the changes brought about by the 1956 Amendment Act are likely to affect the Company and its equity, and I will therefore attempt an analysis.

Firstly the Standard Rate of return permitted to the Industry will become linked to the Bank Rate as from 1st April, 1957, making at present levels 5½ per cent, instead of the previous fixed figure of 5 per cent. Internal financing has also received a slight fillip from the provision that tax savings accruing from the Development Rebate allowed under the Finance Act are to be taken to a Development Reserve, subject to the earnings of the year not thereby being made to fall short of the Reasonable Return. The Company will be allowed one half of 1 per cent on the annual balances in the Development Reserve as a sort of handling charge or risk money, though no other direct benefit will accrue to shareholders as the Reserve is to be excluded from the Capital Base.

Against these two gains by the Industry must be set off the disallowance of interest on Loan and Debenture Capital as an item of expenditure in arriving at the Clear Profit, evidently on the ground that the Industry could always obtain a return on such monies through the inclusion of the value of the counterpart assets in the Capital Base. It is evident in the final result that the increase in the Standard Rate will not compensate fully for the resultant drop in the permissible Profit in the case of your Company, as approximately one-fifth of the Capital is in the form of Debentures.

However, as things now stand, we may reasonably expect to be able to maintain a dividend of 6½ per cent or thereabouts. The big question is, whether this is going to be enough to restore, in the present climate for investment, the confidence and incentive to the investor which have been so rudely shaken of recent times. The answer to this question, in its widest context, is really vital to India as well as to us.

It is certain that our Government must have prominent before it the problem of carrying the people with it in the raising of extra taxes needed to finance all those tasks it has set itself—River Valley projects, Steel works, the expansion of the Railways and the like. It seems to me however that all these tasks together dwarf in comparison to those which the myriads of ordinary business men have to perform all over the country and in countless different spheres, if real overall progress is to be made. It is a flashing danger sign if finance for worthwhile, and even for essential, projects threatens to dry up in what we may truly call the "People's Sector".

In the case of Electricity, some 50 per cent is still produced, and 75 per cent distributed, by commercial undertakings in this country. It is an absolutely basic commodity whose increase all agree is a "must" for progress. There is really no argument about it. Yet you know that the shares of our Company—the largest and one of the most rapidly expanding single producers of electricity in the State—have been actually standing at a considerable discount most of this year, all because of over-severe controls.

It will be agreed that under such circumstances, we would hardly have been in a suitable position to raise more finance to promote expansion or development. Yet Electric Supply Undertakings have normally a certain stability and position of their own; and others are usually worse placed than us, rather than better. Surely therefore Government will have to evolve policies designed to carry the business people with it to a greater extent if all the people are to flourish.

It seems for these reasons especially unfortunate that Parliament's estimate attempt to encourage the investor in our industry by making a provision for "automatic adjustment" of the Standard Rate of return to follow fluctuations in the money market, has apparently been almost instantly frustrated by executive action. Hardly had the ink used in the new legislation dried, when the announcement by the Reserve Bank came to the effect that as from 1st February, 1957, the rate of interest on advance to Scheduled Banks against Government and other eligible securities had been raised to 4 per cent, while, at the same time, the official Bank Rate was unchanged at 3½ per cent. For the Electricity Industry, this announcement came as a bolt from the blue, for, unless upon pressure of circumstances the Bank Rate itself is officially raised to line up with the Reserve Bank's lending rate for advances to Scheduled Banks, we are again caught by the necessity to plead for Parliamentary enactment so as to keep in line with the changes in the value of money.

The Industry has quickly reacted and approached the authorities for action, if necessary by an Ordinance. It has been pointed out that the World Bank rate of lending against Mortgage Debentures carrying the unconditional guarantee of the Government of India, is now a minimum 5½ per cent, the same as is now available to our Industry to cover any fresh Equity investment. This is clearly absurd.

It may be added that there is still no solution in sight to the discouraging effect of the knowledge that the more rapidly you succeed in expanding Electrical Supply, the more likely the shareholders are to lose, or

continue to be denied, their right to have their dividends credited as income-tax paid.

Reverting to the Electricity (Supply) Amendment Act, I will not try to decode many of the intricacies covering the wide field of regulation and powers and duties of State Electricity Boards that need not normally affect you. I will however refer to a few more points.

First, although the Act still makes no provision for meeting the deferred tax liability arising out of diverse depreciation provisions in the Electricity (Supply) Act and the Income Tax Act, Government are reported to be sympathetically disposed to introducing a clause to cover this need if a suitable formula can be found. In fact a clause permitting appropriation towards a Deferred Taxation Reserve was drafted by the Select Committee when considering the Amending Act. As worded however the clause would actually have caused considerable embarrassment to most undertakings, and at the Industry's request it was dropped for the time being. The Federation of Electricity Undertakings of India is now in correspondence with Government on a revised wording which it is hoped will satisfactorily cover all aspects of this problem.

Another amendment of major importance and interest to you concerns the question of our freedom to adjust our rates for supply to consumers. The 1956 Act has made it clear beyond doubt that the Licensee has the right to adjust his rates within the framework of the Act, including where necessary an enhancement of rates. With this has come to rest an unfortunate legal controversy which had developed, causing much confusion and loss. You will remember how a Rating Committee was formed in the case of your Company in June 1954, when we did not understand how we could have been said to have breached the law. You are not likely to forget the subsequent impasse we had to contend with and which resulted in our being denied a very necessary rate increase for about 18 months, at a cost of about Rs. 25 lakhs in Revenue, necessitating one reduction of the dividend and significant withdrawals from our hardly won Reserves. This was a by-product of the defect in the law which the amending Act has now set right. Hereafter a Licensee must be served with a "show cause" notice, and the authorities must await the results of arbitration before the Central Electricity Authority in respect of any disputes raised, before there can be any question of appointing a Rating Committee. It is a notable step forward that the law now appears to ensure that the penalty of a Rating Committee cannot be inflicted on Licensees hereafter without fully adequate cause.

We have recently been threatened with the effects of some other legislation conflicting with the mandatory provisions of the Electricity (Supply) Act; to our detriment once again. This is the Finance (No. 3) Act, with its provisions for compulsory deposit with the Reserve Bank in respect of depreciation allowances given under Section 10(2) of the Income Tax Act. Under the provisions of the Electricity (Supply) Act, we are not even permitted to earn equivalent allowances. We are hopeful that, in this instance at least, the Rules which are now under consideration by the Central Board of Revenue will recognise the fact that the Electricity (Supply) Act has already made its own provisions towards an identical end, namely the investment of depreciation allowances in the business or in Government Securities, and that consequently the Industry will be exempted from the operation of the relevant part of Finance No. 3 Act.

I have been at some pains to point out that the difficulties incidental to dearer money, problems arising out of deferred tax, and denial of tax concessions, are of even more than usual importance to Companies such as yours which have statutory as well as moral responsibilities for large scale expansion in the national interest. By the very nature of its franchise, an Electric Supply Undertaking must continue to expand, and it will certainly repercuss adversely on the country's economy if such Undertakings have to function in the twilight region between viability and subsistence. The Legislative intent having been firmly expressed in the Electricity (Supply) Amendment Act, 1956, for a return which should provide 'automatic adjustment with variations in the money market' it will certainly be a miscarriage of justice to say the least if the Industry is to be condemned to a further life of hand to mouth existence. I have laboured this point especially because your Company, charged with the task of making power available to the Industries and Citizens of the progressive and expanding Ahmedabad region, has to look forward to greater achievements; and political misunderstandings or legislative lethargy cannot but impede development.

With the commissioning towards the end of 1958 of the 15 MW Turbo Alternator Set ordered last year, the first half of the Company's "C" Power Station will be completed. Future power expansion in Ahmedabad is bound up with the plans of the State Electricity Board for increasing power capacity in their South Gujerat System, possible hydro-generation in the Tapti, Narbada and Mahi river systems, atomic power development, and even the prospect that natural gas might become available. Nevertheless it is not disputed that with offtake developing at an average of over 10 per cent annually — a phenomenon which is general to most of the major power systems in the country — the Company must give serious and now urgent consideration to plans for completion of the second-half of the "C" Station project, involving the installation of an ultimate 60 MW of plant. How best this may be achieved and the manner in which it is to be financed is receiving your Board's earnest consideration.

The completion of this development should take care of the demand in the Ahmedabad area until about 1965. The answer to what is to happen after that must not be delayed for too long either. A modern plant takes anything up to five years from the stage of planning to commissioning. In line with the past traditions of the Company we have already taken preliminary steps to ensure that the future power needs of our area in the mid 1960's are not prejudiced by lack of timely and co-ordinated thought.

The import licence having already been received for the 15 MW plant for completing the first half of "C" Station ordered last year, your Company has so far escaped the import restrictions following the recent Foreign Exchange crisis. How far this crisis will affect the import of Heavy Electrical plant and Capital Goods for future projects in the country, remains to be seen. In the interest of India's proclaimed need for long term credits for the purpose, however, I do hope that official spokesmen will in future find it rather more possible to display a sense of greater confidence in the business community than they have sometimes done in the past few years. Lack of confidence was never conducive to any kind of credit, least of all cheap credit for long periods; and one could hardly blame overseas lenders if they ended to assess their potential clients at the valuation of the latter's own Government. Besides it is the Government itself which has now turned to the business men asking them to obtain the foreign exchange of which the country has run so short.

Another important requirement is that a method should be found whereby borrowers will not be left with the risk of fluctuations in the rates of exchange; a factor which, in the context of long term credit, could be much more serious than even a high rate of loan interest.

It may appear that other things remaining equal, the Electricity Supply Industry, being essential to the general economic uplift of the country, may have reason to hope its requirements of essential plant for power projects will escape drastic import cuts. In fact the need for the Electric Supply Industry to receive priority consideration in allocation of foreign exchange for import of essential plant has been the subject of a Resolution adopted at the All-India Power Engineers' Conference held in Bangalore in January this year.

Coming now to local affairs, the operation of your Company's plant during the year continued satisfactorily, while the peak demand for the year at 110,400 kW recorded an increase of 10,000 kW over that of the previous year. Coal deliveries have been rather irregular mainly due to the shortage of rail transport, but the Company's Coal Agents, through their intensive efforts, have been able to help us maintain stocks at a fairly satisfactory level. The quality of coal received has, however, deteriorated to some extent due to the better qualities of coal being in greater demand.

The constant efforts of the Company to improve the efficiency of operation are being offset by the rise in the prices of materials, especially of plant and of fuel so that in the result the cost of production continues to rise. During the last year we have had to meet an upgrading in the price of coal, which has increased by between Rs. 3 and Rs. 3-8 per ton, together with a rise in freight of one anna in the rupee. It looks as if further rises in the price of coal are to be expected, if the development of this equally essential commodity is not to continue to be thwarted by lack of funds.

The Indian Electricity Rules, 1956, brought into force from the end of June, 1956, have made it obligatory for Electric Supply Undertakings to close their annual accounts as at 31st March. As you know this Company's Accounts were being closed annually as at 30th September and it has now been decided, with the approval of the State Government and the Income-tax Authorities, that the next closing of the Company's Accounts should be for a period of six months ending 31st March, 1957. Thereafter the Company's financial year will be 1st April to 31st March. This will necessitate the compiling of Accounts for the short-term period of six months — October 1956 to March 1957 — which will entail the calling of a General Meeting in November to adopt the Accounts and declare a dividend for that period. With three Electricity Companies under their management, your Agents have drawn up plans to ease the administrative difficulties inherent when all three have a common closing date. These plans envisage the payments of your ad-interim and final dividends in future in April and December respectively.

The All-India Power Engineers' Conference at Bangalore referred to by me earlier has in an important Resolution recognised the necessity of imparting field training to different categories of technical personnel. In this direction your Company has for many years undertaken the training of diploma and graduate apprentices. We have also been sending selected members of the Engineering Staff abroad for training. At the moment we have in the U.K. two Charge Engineers and one Assistant Mains Engineer under training with the Central Electricity Authority. Consideration is also being given to further staff being sent abroad nearer the time when the three Engineers now in the U.K. return to India.

I should also add that the Training Within Industry Scheme initiated by the Company a few years back is progressing well. As required by Government, Unit Production Committees have been constituted in the various Departments of the Company each Committee consisting of about 6 members representing 150 employees. Four of these members are elected representatives of labour and 2 nominated by Management. In general, the functions of these Committees are to ensure proper and efficient use of machinery and adoption of precautionary measures so as to engender safety consciousness against occupational hazards. These Committee have worked well during the year under review.

In keeping with its Staff Welfare policy, the Sabarmati Primary School, which was in the past run by the local District Board, has now been taken over by the Company for the benefit of employees' children. The present strength of the school is 201 children and 6 teachers. It is the intention of the Company to add higher classes to this school in the future. The kindergarten school at Sabarmati which was opened in 1955 continues to provide excellent facilities for the younger children of the employees.

The Accounts, which have been drawn up in conformity with the provisions contained in this behalf in the Companies Act, 1956, are, I believe, fully informative, taken with the explanatory notes appearing on the face of the Balance Sheet. You may, however, like some comment from me concerning appropriations with respect to Reserves. This is an odd matter. In essence we took Rs. 8,44,000 from the Equalisation of Dividends Reserve, and put Rs. 9,38,708 to General Reserve. In the result Reserves gained about Rs. 95,000. It all arises from an undertaking which the Company had to give to the Bombay Electricity Board during the negotiations over the 8¾ per cent Surcharge which was made applicable to sales of energy to High Tension consumers as from October 1955. As the arrangement will come to an end with the enforcement of the amendments to the Electricity (Supply) Act from 1st April, 1957, I trust we will not have cause to bother about it thereafter. The main thing is that against the overall dividend for the year 1954-55 of 5 per cent, it has again been possible to recommend a final dividend of Rs. 4 per share, making 6½ per cent for the year, and to have something over for Reserve.

It now remains for me to record our appreciation of the services rendered by the Resident General Manager and all ranks of the Staff towards achieving the very satisfactory operational results during the year. This Company has always regarded the labourer as worthy of his hire and paid him accordingly — a policy which has been amply justified by the return received from its Staff in the shape of loyal and efficient service. From the consumers' point of view it may be borne in mind that they in turn receive their benefits from progressive policies in the form of minimum production costs and above all continuity of Electric service.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting which will be sent separately to Shareholders.

COMMODITY NEWS AND NOTES

PRODUCTION OF FOOD GRAINS

The production of food grains in 1956-57 is expected to be slightly higher than that in 1955-56 according to the report of the Union Food Ministry for the year 1956. The report says that the all-India first estimate of kharif cereals for 1956-57 indicates an increase in acreage of 6.3 million acres or 0.2 per cent over that of the previous year. The prospects for the rabi crop are encouraging, the report adds. According to the report, the total production of cereals during 1955-56 estimated at 53.4 million tons was lower than the production of 1954-55 by about 2.3 million tons but still it was higher than the first Plan target by 0.9 million tons.

THREE PER CENT INCREASE IN AREA UNDER COTTON

The All-India Third Estimate of Cotton for 1956-57 puts the current year's area and production at 18,084,000 acres and 4,084,000 bales (of 392 lbs. each of cotton lint) as against the Adjusted Third Estimate of 17,553,000 acres and 3,382,000 bales respectively for 1955-56 according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 531,000 acres or three per cent in area and 702,000 bales or 20.8 per cent in production over last year. The production of cotton seed is estimated at 1,429,000 tons during 1956-57 as against the corresponding Adjusted Estimate of 1,814,000 tons for 1955-56, thereby showing an increase of 245,000 tons or 20.7 per cent.

The increase in acreage under the current year has been reported mainly by Bombay and to a lesser extent by Punjab, Andhra Pradesh, Madras, Assam and Kerala and has been attributed to favourable weather conditions at the time of sowing during the current year as compared to the previous year. The increase in production has been reported by almost all the cotton growing States except Bihar and Mysore. But this increase has been more marked in the case of Bombay, Madhya Pradesh and Punjab and has been attributed partly to increase in acreage and partly to the favourable weather conditions during the growing period.

EXPORT OF COFFEE

The Coffee Board has released for export 1,500 tons of coffee out of the 1956-57 crop. Tenders have been invited by the Board for registered exporters returnable on April 9, for the quantity which consists of 80.3 tons plantation "A", 433 tons plantation "B" and 264 tons of Plantation triage.

DEPOSITS OF THORIUM IN N.-E. INDIA

What is believed to be probably the world's biggest deposits of radio-active minerals has recently been located "somewhere in N.-E. India" by the Indian Atomic Energy Department, it is stated. Investigations already carried out show that the deposit has over 3.3 million tons of ore containing 300,000 tons of thorium of concentration of about 10 per cent and 10,000 tons of uranium of concentration of 0.3 to 0.4 per cent. The deposit also contains about 80 million tons of ilmenite. It is expected that further investigations would lead to doubling the present estimates.

ART SILK YARN IMPORTS

The Government of India has decided to license import of art silk yarn against actual export, after December 31, 1956, of Indian art silk hosiery goods. This concession was extended in respect of art silk fabrics under the Government's Import Trade Control Policy for January-June 1957. The extension of the concession in the case of art silk hosiery goods was announced on March 18.

WORLD COTTON OUTLOOK BETTER

The International Cotton Advisory Committee has stated that the statistical position of cotton for the free world as a whole "appears to be more favourable than for several seasons past". However, the committee declared that the situation continued "to cause concern in many countries". The Committee, in its review of the world cotton situation for February, said the increase in world stock in August 1, 1956 was the smallest since 1951, production had declined, acreage planted had dropped and disappearance should exceed current output leading to another reduction in stocks on July 31, 1957.

SHELL OIL'S PROGRESS

Shell oil company had another very successful year (1956) in discovering and developing underground reserves of crude oil. Its success in the offshore waters of the Gulf of Mexico again was outstanding. In consequence of this progress, the additions made to the underground reserves substantially exceeded the year's aggregate production. The volume of verified products sales increased and with slightly higher price levels, sales revenues reached another record high.

URANIUM EXPORTS BY S. AFRICA

South African exports of prescribed materials (uranium and thorium) in January totalled £3,268,721 against £2,936,545 in January, 1956, a preliminary estimate by the South African Excise and customs Department shows.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	...	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	...	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
August 1956 ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	405.8	520.5	409.8	385.5	585.2	424.8	89.8	99.1	79.7	113.8
Week Ending										
19-1-1957 ..	396.5	527.9	412.4	387.7	592.9	424.2	89.7	100.0	80.4	113.7
26-1-1957 ..	399·7	533·7	413.1	386.6	588.6	425.8	89.8	99.4	80.5	115.1
2-2-1957 ..	407.0	527.0	412.9	386.9	588.9	427.3	89.8	99.1	80.1	114.7
9-2-1957 ..	405.2	523.7	412.5	386.9	592.9	426.2	89.8	99.1	79.9	114 1
16-2-1957 ..	407.7	517.5	407.6	385·0*	577.7*	424.2*	89.8	99.0	79.6	113.6
23-2-1957 ..	403.0	514.5	405.4	384·1	579.4	421.6	89.9	99.0	79.6	112.1
2-3-1957 ..	402.8	516.3	403.2	384.0	574 9	421·2	89.9	98 9	79.8	110.9
9-3-1957 ..	404·9	519.6	402.8	384.2	569.7	422 3	90.0	98.9	80.0	111.9

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
							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 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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	—	—	—	151	356	436	—	—	370	—	—	150

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	15-3-1957			8-3-1957			1-3-1957			22-2-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	106-10	105- 7	106- 9	105- 9	104-14	105- 5	107-12	104- 6	105-15	109-10	107-11	108-10
Silver (per 100 fine tolas)	179- 3	177- 9	178- 5	177-14	175-13	176-14	182-13	177- 2	179-15	187- 3	182- 2	185- 3

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The Eastern Economist

VOL. XXVIII. NO. 14. NEW DELHI: APRIL 5, 1957. ONE RUPEE

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Save the Canal

DELHI daily has just carried a radio-photo showing ships of the first convoy to enter the Suez Canal since it was blocked in that dismal November of 1956. This is pleasing to the eye, but one wonders if it is not too early for this country to heave a sigh of relief, for there are yet no signs that President Nasser has awakened fully to the need of placing the economics of the canal—and of Egypt—on stable foundations.

There is no gainsaying that President Nasser's firmness has brought him some dividends and his just stand on Egyptian sovereignty over the canal has been all but completely vindicated. This is on his credit side. But it is also true that his unbending attitude towards Israel has cost him a great deal of principle. If, to make good his role as a champion of extreme nationalism, he continues to be hostile towards Israel, there can be no guarantee that the uneasy peace in the area may not be disturbed and the canal put out of commission again.

This ominous possibility cannot be entirely ruled out, for the canal problem has become too inextricably intertwined with the Israeli-Egyptian relations to lend itself to a lasting solution, in the absence of a peace settlement between the

two countries. And President Nasser's recent moves are not also calculated to win the confidence of Israel in particular or of the canal users in general. His first move, following the Israeli withdrawal from the Gaza strip which was previously held by Egypt under the 1949 Palestine Armistice, has been to name a Governor of Gaza and to run its civil administration. This move has no doubt alarmed Israel, but it is a redeeming circumstance that President Nasser has not attempted to bring Gaza under his military control. As a matter of fact he even seems to be anxious to have the United Nations Emergency Force in Gaza for some more time.

The Egyptian President's other move has been to let it be known unofficially that he intends to resume the naval blockade of the Gulf of Aqaba which leads up from the Red Sea to the Israeli port of Elath. It is claimed in this connection that Egypt has the right of belligerency to blockade Israel in view of the circumstance that there has been no final peace settlement in the Palestine War. With the Israeli withdrawal from the Sharm el Sheik area at the mouth of the Gulf and with its take-over by the U.N.E.F., free passage to the port of Elath has come to be ensured for the present and some ships doing business with Israel have just passed through Aqaba without incident. There is, however, an element of uncertainty here.

Egypt has, again unofficially, taken the stand that she will not open the Suez Canal to passage for ships trading with Israel. As a matter of fact, she had been thus discriminating against Israel long before the nationalisation of the Suez Canal Company. President Nasser's intention to continue to deny passage to Israeli ships is, again, related to the belligerency claim and his contention is stated to be that by doing so he is not violating the Constantinople Convention which has a clause to the effect that Egypt can take measures to "assure.....the defence of Egypt."

These three moves have alarmed Israel, and she has taken the position that if there were a danger of new guerilla raids from Gaza or of blockade of the Gulf of Aqaba, she would feel free to strike out against Egypt within the U.N. Charter provision for self-defence. So long as President Nasser refuses to recognise the existence of Israel he cannot be deemed to recognise the existence of the United Nations itself which has brought that country into being. The Egyptian President may yet appreciate that if, on the strength of the belligerency claim, he takes certain steps by way of self-defence, he will be conceding that right to Israel also with the result that he will be keeping alive a state of war between the two countries. Egypt is afraid of provoking Israeli retaliation at least for the present; this is verily the time for persuading her to come to a final peace settlement with her neighbour.

The most exacting question is, of course, that of the future operation of the Suez Canal. Here the Egyptian case for barring Israeli ships from the canal and interfering with the Israeli-bound vessels is particularly untenable for it violates three provisions of the Constantinople Convention—namely, the promise of free navigation without distinction; the prohibition of blockade; and the guarantee of free transit in time of war as well as peace. It violates the 1951 Security Council resolution which held that the completion of 1949 Armistice rendered null any claim by the parties to belligerency status. It also violates the first and the third among the six principles embodied in the Security Council's resolution of October 13, 1956, and duly accepted by Egypt; these two principles are that there should be free and open transit through the canal without discrimination and that the operation of the canal should be insulated from the politics of any country. If President Nasser can be persuaded to climb down on this issue, the Anglo-French stand for international operation of the canal will become untenable and the expressed or unexpressed fears of the Asian countries trading with Europe will have been allayed.

The acceptability of the latest Egyptian plan for canal operation may then be virtually taken for granted. The main features of this plan are: The Suez Canal Authority, established by the Egyptian Government, would operate the canal in accordance with the Constantinople Convention; tolls should be paid in advance to the Suez Canal Authority at any bank as may be authorised by it; the Egyptian Government will get 5 per cent of the tolls as royalty and 25 per cent of the gross receipts will be deposited in a development fund; tolls would continue to be levied in accordance with the agreement concluded in 1936 and any increase in the current rate of tolls within 12 months shall be limited to one per cent while any increase beyond this level is subject to negotiation; there will be a canal code with provisions for dealing with complaints of discrimination.

This Egyptian plan is more or less in conformity with the second, the fourth, the fifth and the sixth principles embodied in the Security Council resolution of October, 1956. Egypt's contention that the other two principles not honoured in her plan have lapsed with the Anglo-French-Israeli invasion of November last cannot hold water because it is to the United Nations that she is answerable and it was that world body which stopped the aggression and protected her in spite of the fact that it was partly provoked by her own hasty and hostile actions. The plan is otherwise reasonable, being designed to leave control firmly in Egyptian hands. This is understandable for Egyptian sovereignty over the canal is no longer in dispute. The plan has also the merit of conceding the Western position where it lays down that canal tolls could be paid to the Egyptian Government "or its nominee"—a possible opening for the "neutral agency" suggested by Britain, France and the United States.

As President Nasser, in all probability, is afraid of provoking Israeli retaliation or alienating the Soviet and Asian-Arab blocs, whose interests are not wholly in harmony with his views and as he is, by all accounts, anxious to reopen the canal and derive the badly-needed revenue therefrom, his plan may yet be modified to conform fully to the six principles of the Security Council. But negotiations with President Nasser will continue to be laboured, and he will have lost the goodwill of even some Asian nations if he refuses to adjust himself with grace and even some generosity. An apprehensive Eastern World may well appeal to President Nasser: 'Save the canal from a possible second disaster'.

The President of India

EVENTS this week have shown that what should be one of the least controversial political events in the country—the nomination of the President and the Vice-President of the Indian Union—has been loaded with heated and not very dignified debate. In this unhappy debate the Press of Delhi allowed itself to be drawn with results as unhappy to itself as to the candidates concerned. Even if these mistakes had not been made there would be cause for concern. The country cannot be expected to treat the events of last week as being entirely a matter for the Congress Parliamenary Board although its six members had all the authority to make the nomination. As it turned out, it was not even possible for the six members of the Congress Parliamentary Board to think alike on a major issue of policy and thus there has been seen in New Delhi in the last week a conflict of loyalties which should never have been allowed to occur in a matter of this kind.

Briefly, the controversy arose on both a personal and an impersonal issue. The impersonal issue was whether it was appropriate that the President and the Vice-President of the Indian Union should be re-elected after a term of five years or whether a healthy convention should be established to the effect that the President and the Vice-President, like Governors of the States, would normally not be reappointed after a term of five years. Arising out of the impersonal issue there came the question as to whether, whatever the long-period convention, a figure like Dr. Rajendra Prasad should be replaced when he was in fact willing to accept nomination for a second term. Almost certainly the personal consideration, on which it would appear many members of the Congress Parliamentary Party held inflexible views, overrode the impersonal issue which, it would seem, was not even adequately discussed. Both the President and the Vice-President have now accepted nomination for another term.

In this particular case the decision was greatly complicated by the fact that the Vice-President Dr. Radhakrishnan had been led to believe that he might have been nominated to the office of the President. Whether there was justification enough for this belief has been debated in Delhi. Obviously the Prime Minister, whatever his views on the need of a convention, could not, without the authority of the Congress Parliamentary Board, make any commitments to any candidate in regard to a nomination which was beyond the province of the Prime Minister and, indeed, even of the Congress Parliamentary Board, since Congress Party feeling on this issue was strong. It was known that, notwithstanding his ill-health, President Rajendra Prasad had been prevailed upon by a very large number of Congress Party members to accept another term. For a beloved figure, with some claim to the position of a subsidiary hero of the Indian Revolution, this desire for his retention as President was quite understandable; what is surprising is that some members of the Parliamentary Board did not appreciate its force. In the last analysis what has proved to be important has been the fact that the Congress Party has again shown that its somewhat confused personality can be imposed on the Prime Minister on an issue which he will not treat as vital enough for resignation.

What has weakened the Prime Minister's case in the present debate is the fact that the issue of principle which he sought to establish has been conspicuous in its absence by the fact that many high offices particularly in the case of Cabinet Ministers are retained indefinitely even after the period of advantage to the country has passed. It would be claiming far too much for the Congress Party to say that it is free, in the choice of candidates, from intense personal considerations. Why, then, should the impersonal doctrine that the offices of the President and the Vice-President should not be retained for a period of more than five years be applied only in the present case? The Congress Party feeling in this case certainly had force in good logic.

The feeling has certainly been aroused in Delhi that almost no one in this unhappy controversy has come out with distinction. It is clear that the desire to retain or improve office is strong on all sides, and has, to some extent, endangered personal relations to the point when even majority decisions are accepted with bad grace. This has not been an illustrious illustration of the manner in which the will of the majority should be readily accepted by great and small alike.

Now that this unhappy incident has been closed by the acceptance, under powerful persuasion, of re-nomination by Dr. Radhakrishnan of the office of Vice-President, one need only ask that the unseemly events we have seen in the last ten days will not be repeated. The country has as much stake in the dignity of offices of the President and the Vice-President of India as the Congress Party itself, and it seems a pity that differences in the Congress Party and the occupants should have allowed these offices to become so much the creatures of controversy. By the same token, now that a choice has been made by the Congress Party, and circumstances are such that the Congress Party candidates are certain to win with large majorities, it is not appropriate that any other party should contest these elections. Inevitably the result is now fixed, and all that will be underlined will be the weakness and even the negligible weakness of the opposition. The suggestion that Dr. Khare should stand with Hindu Mahasabha support seems, therefore, a puerile one. There is really no point in underlining the fact that in the Central Parliament at any rate Dr. Khare would receive barely a dozen votes; it is wasteful that the whole process of election should be gone through merely to obtain this paltry result.

It has been a good convention — one which still stands out against the absence of all other conventions — that the President or the Vice-President should come from the South. This has been a means of securing unanimity, or at least a substantial majority, on both elections. With this convention accepted by implication there should be no difference on this issue. At any rate one now hopes that for five full years the offices of the President and the Vice-President will continue to be held by their present incumbents, who have added dignity and a high sense of duty to their qualities of heart and mind.

West Germany and India's Plan

TWO events which took place in quick succession since the middle of the last week are expected to make a significant impression on the future relations between the Federal Republic of Germany and India. The visit of the Foreign Minister of Germany has been followed immediately by the arrival in the capital city of a trade delegation from that country. This is no casual development. In fact, the communique issued by Dr. Brentano and Mr. Nehru makes a specific reference to the negotiations between the trade delegation and the Government of India for the purpose of intensifying trade relations as well as industrial and technical co-operation between the two countries. The process of broadening the base of economic collaboration between West Germany and India is being pursued in earnest at least during the last six years. The second Five-Year Plan, however, has given a new complexion to foreign interests in India's economic progress.

This should be quite obvious from the character of the negotiations which were started here four days back. The scope and purpose of these discussions clearly transcend a routine revision of the export-import schedules included in the trade agreement of Mach 1955. In fact, three objectives have already been set before the negotiators—technical co-operation, industrial collaboration and closer trade relations. Schemes of technical co-operation relate to facilities for training in India to be created with German resources in equipment, know-how and teaching staff. Since the announcement was made on the occasion of Mr. Nehru's visit to Bonn in July last year about setting up a technological institute for higher training, considerable progress has been made and its establishment, probably in North India, is now a matter of a few months. The other project, although it is of a small dimension, is of a novel type. The proto-type training workshop whose project is now being finalised is intended for imparting instruction in rationalised techniques for small and medium-scale industries.

Interest in the present negotiations centres essentially round the ways and means which will be devised to put the two-way trade on a comprehensive basis to facilitate an adequate flow of supplies of plant, machinery and industrial goods which this country requires in the immediate future. This is by no means an easy problem; the difficulties which it poses need to be resolved by a sustained effort, nevertheless there is full belief that they need not be considered as altogether insurmountable. Trade between India and West Germany which has been raised to higher levels since 1951 received positive acceleration in 1954 and 1955 on account of the rising tempo in the execution of the first Five-Year Plan and increasing German assistance to industrial projects. While exports from India have more than doubled during this period, her imports from Germany have been very nearly trebled with consequent rapid widening of India's trade deficit. The deficit has shown a rate of increase since 1953 of 100 per cent per year—it has risen from DM 110 million in 1953 to DM 220 million in 1954 and to DM 320 million in 1955.

While a larger import surplus is part of the design of the second Plan, this country is aware that a pragmatic approach to the problem will be expedient from time to time. An erroneous impression appears to have been entertained that this country intends to rely basically on suppliers' credit to tide over the foreign exchange shortage. Deferred payments will necessarily constitute an important form of the accommodation which India will seek in obtaining foreign assistance, but the extent to which it will be attempted must necessarily be left to the individual cases of the major exporting countries. The current trade talks recognise the necessity of assessing the possible extent of imports from Germany on deferred payments; even so they do underline the urgency of a greater balance in Indo-German trade. This implies an intensive export drive on the part of India. One of the earliest results of the talks is the decision to send an exporters' mission from this country to Germany. This mission could very well have been deputed much earlier for one weak link in the chain of trade relations between the two countries is the insufficient direct contact between Indian and German commercial houses. Establishment of such contacts cannot fail to advance the cause of India's exports. A more balanced trade also implies readiness on the part of West Germany to step up her imports from this country. Concrete proposals have been evolved to this end.

The pattern of the post-war reconstruction of West Germany's economy highlights the vital importance of two factors—manufacture of capital goods and a high level of exports. While her general index of industrial production (1936 100) rose to 204 in 1955 and showed an increase of 223 per cent above 1948, the index of capital goods production jumped to 256 and registered a spectacular increase of 400 per cent for the corresponding years. Capital goods constituting more than half the exports had a substantial contribution in pushing up the country's share in world trade from 4.10 per cent in 1950 to 7 per cent in 1955. This is a sound base from which German economy is operating, indicating a stable and long-term market abroad for machinery and equipment. This market is expanding fast in the underdeveloped countries which have entered a phase of vigorous industrialisation. In 1955 when Germany's exports reached a new all-time peak, India was her largest market in South-East Asia. Australia and Indonesia which came next had an offtake of German exports which was half and one-third that of India.

In the immediate context of India's second Plan, co-operation from West Germany will be eagerly sought for participation in industrial projects and exports on credit. The limit of seven years' credit prescribed for import licensing relates to imports whose potential for earning or saving foreign exchange is low. In a wide range of imports, however, whose potential of this type is high, the limit is pitched lower at four years. It conforms to the overall policy adopted by the Export Credit Corporation of West Germany. As the Corporation's financial resources which are invested partly on a revolving basis of two years' credit are replenished as now projected, it should be possible for it to extend accommodation to the requirements of India's second Plan. With improved trade balance and export credit, there is reason to be optimistic about increasing Indo-German co-operation.

THE WEEK'S NOTES

BEVAN ON COMMONWEALTH LINK

MR. ANEURIN BEVAN'S current visit to this country is of more than ordinary significance. He is not only a "good friend of India and a good friend of all good causes" as Mr. Nehru so happily described him. But he is an influential member of the Labour Party (that was responsible for the events leading to the transfer of power to India) and the Foreign Affairs spokesman of its 'Shadow Cabinet'. He is likely to play a considerable role in any Labour Government that may come to power in the event of a general election in Britain. (The General Election may, perhaps, be precipitated in view of the split in the Tory Party and the unpopularity of the Government's policies as reflected in the recent by-elections). Mr. Bevan has come at a time when Indo-British relations are none too happy and there is an insistent demand for the severance of the Commonwealth link. It is in this context that what Mr. Bevan feels on this issue merits earnest consideration.

Mr. Bevan's recent address at a meeting of the members of Parliament came soon after the foreign affairs debate in the Lok Sabha. The depth of feeling in the House over the severance of the link with the Commonwealth was so much that Mr. Nehru had to concede that "I have felt for the first time in these many years that the issue may some time or other require further consideration". Mr. Bevan gave two weighty reasons why the link should be maintained. One was the complete transformation that the Commonwealth was undergoing, thanks to the emergence of parts of Africa into freedom. Thus Ghana had become a member and very soon Nigeria, Uganda, Tanganyika and Kenya may join company which means that the "composition and content" of the Commonwealth will change with the attainment of independence by the colonial peoples. Should not India continue her association at this important phase of the evolution of the Commonwealth and strengthen the process by using her great influence in the right direction? Secondly, the Commonwealth will be an important factor in "creating conditions favourable to the maintenance of peace" if countries in S.-E. Asia including India, which participated in the Commonwealth, tried to exert greater influence on European and Middle East policies and work the 'Nehru Idea' of disinvolvement. The Suez adventure, for example, could have been prevented if there had been frequent consultations at all levels within the Commonwealth. Mr. Nehru himself has expressed the view that the Commonwealth association is good for a variety of reasons, one of which is "at this moment when there are so many disruptive tendencies in the world, it is better to retain every kind of association which is not positively harmful to us than to break it". Here is a question of weighing the advantages and disadvantages. Mr. Bevan's visit would have achieved some good result if it contributes to a sober appraisal of this important issue.

FIRST STEP IN BUDGETARY REFORM

THE FACT that the Union Finance Minister has taken the first significant step towards major budgetary reform has generally gone unnoticed in the Press and Parliament alike. This first step has come by way of a 30-page brochure 'concealed' among the usual budget papers. The new arrival is 'An Economic Classification of the Central Budget for 1957-58' of which "The Eastern Economist" has taken full cognisance in its recent Budget Number. The reclassification which is done in line with the national income and expenditure or social accounting principle will help disclose the share of the Government in the generation of the national product and in national expenditure, the breakdown of Government expenditure into consumption and capital formation and the impact of Government transactions on the level and pattern of expenditure of the rest of the economy.

The economic classification is, however, only supplemental to the traditional classification based on organisational and objective classification. It distinguishes generally payments made for capital formation from payments made for government consumption which measure the direct draft on resources resulting from Government expenditure and from payments such as social security benefits and receipts such as taxation which redistribute the income of the rest of the economy, payments such as loans and advances which make funds available for capital formation by the rest of the economy and receipts such as borrowing which transfer a part of the savings from the rest of the economy to the Government. The loans and grants made for capital formation can be added to direct capital formation of the Government to obtain a measure of the direct and indirect contribution of the Government to gross capital formation.

It is claimed that all this would be useful particularly when reliable estimates of private capital formation are not available. But for a clearer picture of the impact of the Government budgets on the economy as a whole, it is essential not only that the information available in the budgets of State Governments be reclassified along similar lines but also that of the accounts of industrial and commercial undertakings owned and operated by the Government as well as accounts for important sectors of the rest of the economy. The Union Finance Ministry has probably advised the State Governments, to prepare economic classifications of their regular budgets for 1957-58. If, thus, the experimental economic classification comes to cover all the budgets of the Central and State Governments, it may be that the next step towards budgetary reform—namely, functional classification which would give the precise nature of Government expenditure going to various purposes or functions—will be taken in a couple of years.

PROBE INTO POSTS AND TELEGRAPHS

AS WATCH-DOGS of public expenditure, the parliamentary committees are of recent origin in this country. The system of checks and balances, especially by people's elected representatives, is obviously necessary to prevent wastage of public funds and guard against executive lapses. The twenty-second report of the Public Accounts Committee on the working of the Posts and Telegraphs Department draws attention to a number of cases involving losses, frauds and misappropriation of public money. The Committee particularly refers to the large number of cases which are attributable to the negligence or dishonesty of departmental officials. It is noted that the Department has been rather slow in taking disciplinary action and in one case more than nine years elapsed before action against the delinquent officials could be finalised. During the year under review Rs. 3,67,968 was paid as compensation for insured and other articles lost or damaged in transit. The compensation paid on account of negligence or dishonesty of departmental officials amounted to Rs. 1,72,824 or 47 per cent of the total loss suffered by the Department.

The Committee feels that without counter checks, the system of accounting in sub-post offices is open to

risks and recommends measures to devise a method by which recurrence of such frauds could be prevented. Besides procedural defects there has been no proper supervision and inspection by the authorities who are immediately above. In fact too much reliance is put on routine correspondence with the result that Posts and Telegraphs have lost some of the virtues of a commercial department.

In the opinion of the Committee, the plea that the non-availability of personnel and accommodation hindered the clearance of arrears in stores, is untenable. Maintenance of excessive stocks involves the tax-payer in a four-fold loss. loss of interest on capital locked up; potential loss from the possibility of the stores becoming obsolete or disposable only at a lower price; expenditure on care and maintenance of staff; and storage charges. The present procedure followed by the Posts and Telegraphs Department in the disposal of surplus stores is cumbersome and dilatory. In view of this, it is necessary that the Department should examine the whole procedure in consultation with the Ministries of Finance and Works, Housing and Supply to make it more expeditious and effective.

LABOUR-MANAGEMENT RELATIONS

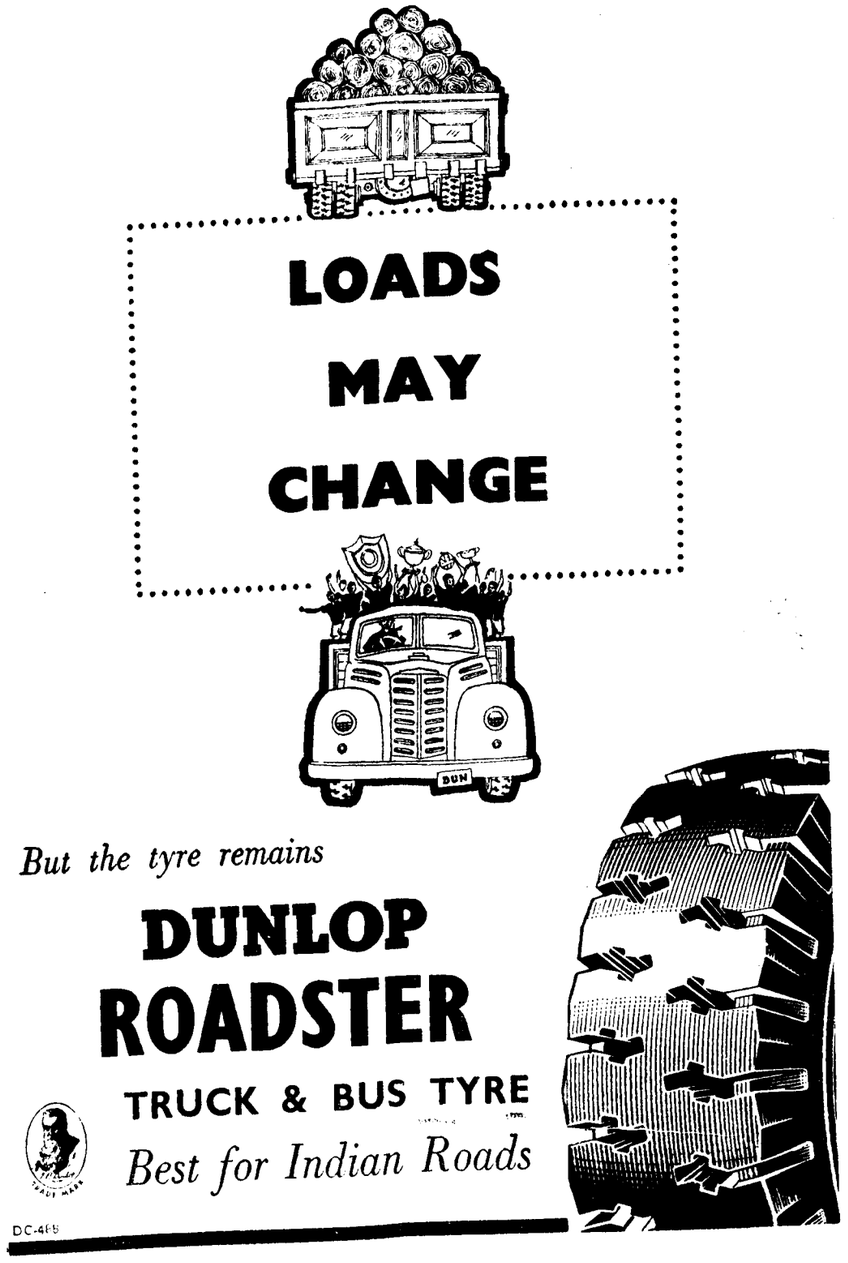
RATIONALISATION, workers' education and workers' participation in management are some of the important subjects in the field of labour-management relations that have exercised the minds of the administrators as well as trade union leaders for quite a long time. Recently these were the subjects of discussion at the Delhi Session of the International Confederation of Free Trade Unions and the Seventh All-India Conference of the Indian Institute of Personnel Management. The conference of the Indian Institute of Personnel Management was of the opinion that to effect rationalisation the following points were of great practical importance: that for planning schemes of rationalisation in advance a thorough study and investigation was essential; that it was desirable to have proper phasing of schemes to reduce adverse effects of rationalisation to minimise opposition of employees and their organisation and to secure their co-operation and assistance for the successful implementation of the schemes; that prior consultation with employees and their organisations would be useful; that it would be advantageous if an agreement on details of schemes were arrived at with employees and their organisation; that it would be desirable to have in the terms of such an agreement a clause providing for voluntary arbitration to remove doubts and to interpret the agreement if and when necessary; that full and wide publicity of such agreement amongst employees would help in the smooth implementation of schemes; and that, wherever necessary, suitable arrangements should be made for training workers to fit them into changes inherent in rationalisation.

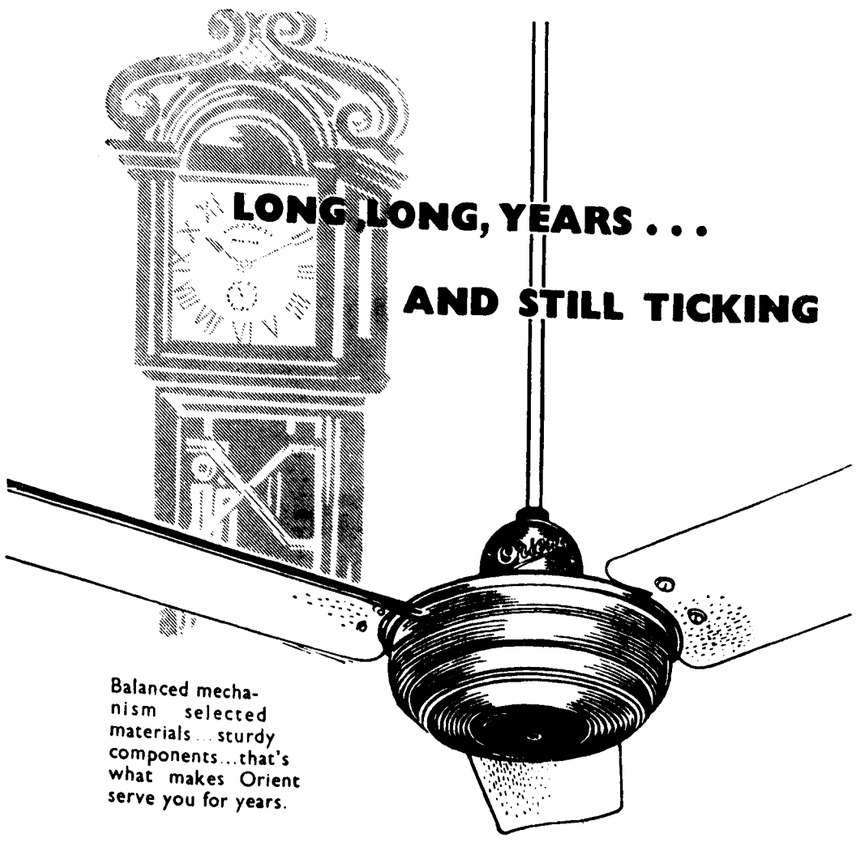
While no one would dispute the soundness of these suggestions, it is necessary to emphasise that due consideration should be given to sharing of gains of rationalisation amongst capital, labour and consumers. Rationalisation is very important from the point of view of future of industry. The only thing that requires major consideration is its planning in such a way as to eliminate retrenchment. In regard to workers' participation in management, it is advisable to go slow. The demand for workers' participation in management would have no significance if sincere and unflinching attachment to the industry with which they are connected is not forthcoming. And to achieve that objective, healthy trade unionism and workers' education are imperative. According to Mr. Millard, the Director of ICFTU, "industrial democracy is impossible without a strong full-fledged democratic trade union movement". At the same time education of workers in trade union philosophy and in constructive and constitutional trade union methods is necessary to invest the movement with a sense of responsibility. It is gratifying to know in this connection that the Union Government's expert committee on workers' education has just submitted its report. In all probability the report might have formulated practicable schemes for workers' education. The report and the Government's action thereon are awaited with interest.

WEST GERMANY'S PROBLEMS

MOST OF what Herr von Brentano, the West German Foreign Minister, expressed in India has remained uppermost in the minds of his countrymen ever since the end of the last war. By and large, he was reflecting the wishes of Germans on either side of the dividing line. Yet what keeps the country partitioned and hampers the setting up of a unified democratic government that could establish good-neighbourly relations with the countries to their east and west, which are the burning desires of the Germans, is the play of East-West politics coupled with the extreme helplessness of the German people in the present circumstances. It is not difficult to see that once the country realised her goal of reunification, the other problems would be far more easy to resolve. But the question of reunification is so much intertwined with the issue of disarmament that each stands in the way of solving the other. It is, therefore, no wonder that being despaired of an early solution that would be acceptable to both the Soviet Union and the Western countries, the Germans are becoming increasingly restive and prepared to pay any price for achieving their aim. This explains, partly at least, the West German reluctance to raise her army to 12 divisions under NATO obligations. The trend is at once understandable and full of grave consequences. If the desire for reunification should become so overwhelming for the Germans as to tear themselves off from Western defence arrangements, and NATO in particular, not only would they be exposed to the Russian might, but the Western defence line would largely retreat to the French borders, and would be rendered almost ineffective.

However, the West German leadership seems to appreciate the danger. Developments over the past few months have shown that even the opposition has veered round to the view that defence is an overriding consideration, notwithstanding that elections are to be held in September and the subject could have lent itself to intense electioneering propaganda. What could conceivably reduce the necessity of defence is the liberation of Eastern European satellites from Soviet control. This was also the burden of a speech of Dr. Brentano here, when he stressed the need for ending imperialist repression in Eastern Europe and permitting those countries to establish a free social order with respect for human rights. Clearly, he was forming a picture of these countries providing a buffer zone between Germany and the Soviet Union. But Hungary is a sad reminder of the real intentions of the Communists. Since that is so, it may well be that West Germany may not be able to give all the necessary attention to productive efforts. This is of some concern to India, inasmuch as this country wants further to expand trade relations with her. The feeling is mutual. Already cordial and friendly relations exist between the two, and India has been the beneficiary of a giant steel plant being set up by the Germans. There is no doubt that scope exists for increased economic co-operation between this country and West Germany.





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A Window on the World

COAL NATIONALISATION IN THE U.K.: SUCCESS OR FAILURE?

By

ODYSSEUS

TEN years ago the British coal industry was nationalised. Has nationalisation been a success or a failure?

The case for the industry was well put recently by Mr. John Raven, director of a British coal trade association, in a BBC talk (reproduced in "The Listener" of March 7). Mr. Raven admits that the nationalised industry has a poor reputation in the U.K. The average man, he says, sees coal as a major handicap to the rest of British industry. Years ago the U.K. had all the coal she wanted and a surplus for export. Now, the average man complains, the collieries cannot do the job. He believes that the National Coal Board is grossly overstaffed and mainly occupied in seeking subsidies from the tax-payer, the proceeds being spent on large country houses, or cast hopelessly into ruinous holes in the ground. The miners are lazy and the price of coal is excessive. The mines lose millions a year and he looks forward to the day when atomic energy will turn collieries into ancient monuments.

In contrast, Mr. Raven says that an enquiring foreigner would consider the U.K. lucky to possess a full range of fine quality coals produced on a scale exceeded only in the USSR and the USA. Because Soviet coal statistics are ambiguous and because the preponderance of opencast and drift mining in the U.S.A. prevents comparison, a foreign observer might compare the U.K. industry with those of Germany, France, Holland, and Belgium. Their total production and physical conditions of mining are equivalent. Such a comparison shows that the British collieries are superior in price and in productivity. The British miner produces more than the German, French, Dutch, or Belgian, per shift and per year. British coal sells for about Rs. 20 less, quality for quality, than that mined in Europe. This overall superiority has been maintained at a time when the National Coal Board has been raising output from 178,000,000 tons in 1946 to 210,000,000 in 1956.

FAIR PLAY FOR NATIONALISATION

Because British coal is so much cheaper than any other, British industry has an advantage over its European competitors. Our foreign observer might be astonished that the British newspapers, which often praise German industry for its efficiency, overlook the ascendancy which British miners and managers have gained over the Germans. The British Coal Board has a statutory obligation to avoid a loss over a period of years. In its first ten years, five have shown a loss and five a profit. Total losses at the end of 1955 outweighed total profits by £37,000,000, but the Board is, says Mr. Raven, mastering this trend, so that during 1956 the cumulative loss was reduced by over one-third. The Board is incurring heavy investment costs in sinking new pits and in other development schemes essential if the present annual loss of capacity — estimated at 4,000,000 tons — is to be overtaken. Part of this money is being borrowed from the Treasury and will be repaid with interest at the usual rates over the next fifty years. In this way, argues Mr. Raven, all development costs are met out of the sale of coal and any subsidy for current expenditure or investment is avoided. Although Britain is speeding up her development of atomic energy, it will be ten years before any real load is lifted from coal and oil. Atomic energy can only directly replace power-station coal: other uses of coal will persist, many will grow, and a large tonnage of coal will still be required for the numerous conventional coal-burning stations which will remain in use for many years.

Mr. Raven believes that the British coal industry initially got its bad name because of the severe winter of 1947 when, in the second year of the Board's existence, there was a coal crisis. But, he asks, can the avoidance of another 1947 be an adequate long term standard of efficiency and policy for British coal? Is this not tying the reputation of the coal industry to its ability to "execute an arbitrary manoeuvre, a large increase in output every year?"

Supposing the mines had been nationalised in 1929, would the Board then have been thought inefficient if they had refrained from increasing the then excessive production of coal? Or supposing that the present sharp rise in fuel and power demand continues? In a relatively short period, demand will have soared above the maximum production possible. In those circumstances other fuels must be found to meet the extra needs. Will they be used only when the last ounce of coal has been stripped out of the pits each year? Or will the industry be given a chance to consider other objectives for an efficient industry, apart from a temporary spurt for greater output?

COAL'S ATHLETIC FEATS

Mr. Raven contends that during the past few years "coal has managed by standing on tiptoe, to get its finger tips up to the vanishing coat-tails of demand." This is an emergency situation and if the Board's efforts to wring extra production out of "an exhausted and undermanned industry" had been judged in that light all might have been well. But to assume that the coal industry, which had just emerged from the strains of a six years war, following a fifteen-year depression, should have been able to supply all the coal wanted in a new industrial revolution, just because it was wanted, is like "trying to write a permanent coal surplus into the British Constitution." The inevitable disillusionment has made the British public think that the coal industry has let them down and this has undermined the industry's own morale. The material sacrifices made so that "the British people may combine the fuel habits of 1795 with the power needs of 1957" are heavy. Development plans have been delayed, heavy losses incurred on imports of coal, and the industry's valuable export trade has been cut to shreds. All these expedients, whether well or ill-advised, had some reason, but, says Mr. Raven, the sacrifice of reputation and self-confidence was "as pointless as it was inexcusable".

Some of the consequences are apparent already, and may well burden the industry for years ahead. How can the Board recruit the best men to work and manage the industry if it is a constant target for destructive criticism? How many young men, who can go into oil or atomic energy, will go into coal? If, year after year, coal is deprived of potential leaders, what

chance will it have of finding its right level in the complex British three-fuel economy of the future? What chance is there of improving the serious weaknesses which, Mr. Raven says, certainly exist in coal, especially in labour relations? It is just in these vital but intangible relations that *morale* is all-important. If the miners could be given a new enthusiasm extra production might come overnight as a natural result of those sound policies which the crude drive for more and more coal has hindered and postponed. Above all, what encouragement is afforded to the Board to think out and carry through courageous, imaginative policies? How can the Board give proper attention to those broad issues of price, capacity, exports, and utilisation, which it has hitherto considered only against the background of a crushing demand enforced by a misinformed, unfriendly public opinion?

Mr. Raven says that many interests — the political parties, the National Coal Board, the trades unions, the press, and the public — have all contributed to the present psychological plight of British coal miners and managers. There are signs, in his view, that the Board is aware of its errors and of the steps necessary to retrieve them, including a wider and warmer defence of the industry. But, he argues, if the Coal Board makes these moves on its own, and if none of the other interests mentioned above makes any effort to re-consider their attitudes towards coal, then the self-respect that the Board seeks for miners and managers may become mere self-satisfaction. "The community should realise that the Board has been shooting with a worn-out productive bow" at a target of demand that is getting rapidly out of range. On the other hand, the Board should not be tempted to regard the mere avoidance of a coal crisis as a reason for complacency. If the politicians can forget the ideological battle for and against nationalisation and concentrate on the real issues at stake in efficient coal production, and if the public will criticise the coal industry only after having taken the trouble to think about it, then the Coal Board's efforts to lead and to animate will have a fair chance.

No fair-minded person can doubt that Mr. Raven has thrown light on the problems of the nationalised British coal industry and that he makes several valid points.

It is, nevertheless, not the whole story. If we agree with Mr. Raven that the industry is undermanned because young Britons prefer to go into more inspiring jobs, Mr. Raven forgets that thousands of Italians, Hungarians, and other Europeans, are anxious to enter British mines — but the miners' unions persist in refusing to admit them. If these foreigners had been admitted, higher production could have been attained with less effort and consequently the industry, under less pressure to "stand on tiptoe to get its finger tips on the vanishing coat-tails of demand," could have developed in a more orderly fashion. Not least, higher production would have avoided annual threats of crisis and thus helped to disperse the industry's bad reputation with the public.

In the following article we will consider some criticisms of the British coal industry made by responsible observers, which will, I hope, throw further light on the problems of nationalised industries.

YOU CAN'T NATIONALISE HUMAN FEELINGS

By

ODYSSEUS

ON A BLEAK January day in 1946, the late Sir Arthur Street, deputy chairman of the new British National Coal Board said to a morose crowd of miners: "Nationalisation has given you what you wanted. It is up to you to finish the job."

At 11 a.m. the Coal Board's flag was hoisted at the pithead. The Millennium had come. Private ownership in British coal, and the production of British coal for selfish private profit, was ended for ever.

Has nationalisation of coal in Britain failed or succeeded?

In the preceding article, I showed how the nationalised coal industry got off to a sticky start and earned a bad name which was by no means altogether deserved but from which it has never recorded. Fifteen pre-war years of depression, followed by the strains of six years of war in which there had been the minimum of capital expenditure and maintenance, were topped in 1946 by the problems of unifying the working o f1,400 pits — a major operation under the best of conditions — in the midst of an exceptionally severe winter which led to an extraordinary demand for coal, in addition to the normal industrial problems of switching from the war to peace production.

In the 1920's Britain's coal production averaged 250,000,000 tons a year, and 20,000,000 to 70,000,000 tons were sold abroad. Since the war, even with open cast mining, output has only once exceeded 225,000,000 tons, and the UK has become an importer of coal.

In the case for the defence Mr. John Raven argued that the morale of miners and managers was broken by incessant public criticism, that the mines remained undermanned because young men no longer wanted to enter a "dying" industry, and that under constant pressure to raise output every year to stave off a threatened crisis, the industry has never been allowed a fair chance to develop in a planned and orderly way. There is a substantial element of truth in Mr. Raven's views but, as I pointed out, he omitted one all-important fact: if it was true that young Britons were more keen to enter other industries, and if in Welfare conditions of full employment, other industries were competing for their labour, it is not true that nobody wanted to enter the British mines. Thousands of Italians, and recently Hungarians, were and are anxious to do so.

The British miners' unions have stubbornly refused to allow foreign workers in. They remember the terrible interwar years of unemployment. They apparently have no confidence that full employment will last for ever. They fear that wages will be kept down by an influx of foreign workers.

In 1945, average earnings were £5-12-8 a week. In the last quarter of 1956 they were £12-19-7. In 1942, the minimum wage was £3-18. Now, with a new claim pending, it is £9-0-6. As a matter of fact, the coal face worker averages £14 a week today. Many get more. With higher pay have come longer holidays, a five-day week, pensions, houses, and a long list of other concessions, including — it seems — the right to decide the nationality of fellow workers.

These are substantial rewards and one wants to know if the miner has won them fairly, that is, is he making his best contribution to the national welfare?

THE WAGE PRICE SPIRAL

Now, it is obvious nonsense to argue, as some people do, that all inflation is caused by what is called the "wage-price spiral", i.e. prices go up, so more wages are demanded and granted, causing greater spending power to push prices higher and so on. As a general proposition, I think it can be agreed that virtually all inflation is in the first instance caused by government spending more than it is raising in taxation. Therefore, we can dismiss any suggestion that Britain's miners, or any other group of industrial workers, started the inflation. But they certainly become a contributory factor to the inflation created by excessive government spending if they succeed in exacting higher wages without adding to the volume of goods and services in circulation. The internal purchasing power of the £ has fallen by about 30 per cent between 1945 and 1957 and to that depreciation it would seem likely that the miners have contributed their share.

An article in the February issue of "The Director", of London, throws light on my submission. "The Director" says that Mr. Jim Bowman, Chairman of the National Coal Board, claims that the industry has served the nation well. For every 6 tons produced in 1946, it now produces 7 tons with no more men. This is certainly something. Yet since 1949 the production of all British industries as a whole has risen by 31 per cent. Some of those got off to a better post-war start than coal, but the millions poured into the mines cannot be ignored (despite all that Mr. Raven has said).

The 1956 Plan for Coal envisaged an investment of £635,000,000 over the next 15 years. Already £323,000,000 have been spent and 180 major projects begun. Another 150 are planned for the next ten years each costing £250,000. For the next ten years, British coal will be absorbing in these and other schemes an investment of no less than £100,000,000 a year.

Nobody expects results overnight but the 1955 Coal Board report said that 167 major schemes were complete or in progress and that £195,000,000 had been spent on smaller reconsructions. Yet, in spite of this, output has fallen in the last four years. How can this be explained by appeals for patience until schemes in hand yield their results? Uneconomic pits have been closed and their output is no longer available, but other pits have had their production stepped up by cutters, ploughs, and endless new methods. Surely some overall progress should have been made?

In September, 1955, it was stated that the shrinkage in capacity of production was four or five million tons a year, and that the industry could, therefore, be proud that output had risen by 30,000,000 tons since nationalisation. May be, but when even with 12,000,000 tons from open cast sites, the total for 1956 barely topped 222,000,000 tons, one wonders how the target of 240,000,000 tons envisaged by the Plan for 1956 is going to be achieved.

In general, the Board defends itself by saying that the pits are undermanned. In 1951, when total output was almost 223,000,000 tons, there were less than 699,000 miners. In 1956, numbers rose to 703,000 miners and production fell by a million tons. Says "The Director": "Perhaps this is why the Plan looks forward to winning its 240,000,000 tons with 618,000 men!"

NATIONALISED LABOUR RELATIONS

Which brings us to the question of labour relations. Not long ago I had occasion to make a tour of several of Britain's largest engineering factories, belonging to a world famous group. Two points struck me: first, their high degree of efficiency and productivity. Secondly, from the viewpoint of size and complexity of organisation, I wondered how these firms could be distinguished from nationalised industry. The chain of control was departmentalised and seemed to me much like a civil service. I put my question to the chairman: "What is the difference, from the point of view of the individual worker, between private enterprise and nationalisation when you get to enterprises of this scale and size which are virtually managed by a series of committees;" "That's easy," he replied. "In a nationalised industry you can't sack anyone who is not doing his job properly. We can dismiss any administrative or managerial staff at once, and although it is more difficult to dismiss an ordinary factory hand, it is possible eventually to weed out the inefficient."

Looking at the British coal industry, the conclusion seems inescapable, as "The Director" says, that the men are using the new methods to ease their task rather than to increase output. To which I add the rider that the men assume also that the National Coal Board dare not sack anyone, no matter how little work he does.

So far the miners have had the whip hand. The crying need for coal and the monopoly achieved by their union meant that they could ask for the moon and get it. Certainly they had leeway to make up by comparison with conditions in other industries. Certainly when they won the five-day week they surrendered it by agreeing to work at weekends for eight months of the year, thus boosting annual output by 12,000,000 tons. But the additional week's holiday conceded them cost nearly 4,000,000 tons.

At the top, labour relations are excellent. Mr. Jim Bowman was himself a pitman and a miners' leader. When the union chiefs visit the Board's headquarters they are completely at home, just as the chairman of the Board is welcome at the miners' annual conference.

But the British National Coal Board has always been giving and the miners taking. Moreover, the harmony at executive level does not reach all the way down. Last year nearly a quarter of the working days lost by strikes in the UK were lost in more than 2,000 disputes in the mines. No other industry has a tenth of this fantastic number of stoppages. Communist influence is to some extent responsible, particularly in certain areas, but generally speaking the conclusion suggests itself that the men have not been able to enter into the spirit of the socialist experiments. On the human side, nationalisation has failed in the UK.

The men are intent on a new wage demand although the Board has what is likely to be a £20,000,000 deficit and is pledged not to raise its prices for some months. It is, however, just possible the the miners may find Mr. Bowman, their old comrade who has only recently been appointed to the Board, tougher than his predecessors. In the bonus shift negotiations, the union was made to agree that men who go slow, or who take unofficial action, should be prosecuted for breach of contract, and there are various other indications that Mr. Bowman is a man of courage and common sense. It would be odd if the long awaited show-down to prove who's boss came in a nationalised industry.

A NATION'S CONSCIENCE

(From Our Special West European Correspondent)

PARIS, March 29.

ANY student of world affairs in our time, be he journalist or newspaper reader, must pick up the subject of "a nation's conscience" with considerable distrust. So far as this article exists, it has shown itself in recent years to be quite insensitive to the most extraordinary brutalities. The German and Russian national consciences (to begin with the sickliest representatives of the species) have accommodated themselves cheerfully to the most severe strains, and such guilt-feelings as they may have conceived seem to be worn very lightly. Even in Britain and France, where the civilised tradition is older and more secure than anywhere else in the West, the national conscience appears to have suffered some distension since those far-off days when the country could be contorted for the sufferings of the Winslow Boy or the languishment of the Jew Dreyfus. But it exists there still, and has stirred itself to call to justice men who have forgotten it in Kenya, Cyprus or North Africa—or anywhere else where "England's far and honour a name". The French national conscience is currently suffering one of these periodic convulsions, caused in this instance by men who have forgotten their honour in Algeria.

Allegations that the "pacification" in Algeria has been accompanied by barbaric excesses are not new in France, and have been faithfully reported by the French Press. Even when, during the last election campaign, issues of the American magazine "Life" were seized because they contained photographs of a cold-blooded murder of a North African by a French soldier, the photographs were smuggled into the country and printed on the front page of Mendes-France's newspaper. But in recent weeks the volume of incriminating evidence has swollen to disturbing proportions. The increase does not represent a worsening of the situation in Algeria so much as the fact that the Press observed a discreet silence during the UN debate on Algeria, "from a sense of national discipline". That is, reports were held over in order not to provide France's enemies in New York with propaganda material. But they were only held over, not suppressed, and the newspapers are now full of them. They add up to a revolting total and have moved the leading Parisian newspaper to ask in a front page heading "did Hitler really conquer us better than he knew?".

Needless to say, the most circumstantial allegations have so far been met with official attempts at whitewashing. Government committees set up to look into accusations that the rebels and their sympathisers were tortured reported many months later, as Government committees usually do in such cases, that they really could not make up their minds. Minor inaccuracies in serious allegations have been triumphantly demonstrated while the substance of the charge is left unanswered. And of course newspaper editors who publish stories of army brutality have been charged with "undermining the morale of the defence forces". These are the traditional reactions of all democratic governments found guilty of permitting licensed terrorism, and no doubt they have as always provided a useful sedative for those who were determined not to have their conscience disturbed by any evidence. But, unfortunately for Parisian bureaucracy, the French national conscience is not in an elastic mood; threats and assurances have not stayed the tide of revolting news from Algeria, and it is now an acquired certainty that the struggle in Algeria has gone beyond the stage of imperialist repression to the quite peculiar cruelty of a civil war between religious communities.

The French Press has both the right and the duty to report instances of torture and other excesses by the French army, because it has given full publicity (as far as this publicity was compatible with decency) to the outrages of the rebels. Before referring to French crimes in the Indian Press, which has 'not' given publicity to the rebel outrages, it is necessary to emphasise that the rebellion in Algeria has from the start, two years ago, used purely and simply the techniques of the Great Calcutta Killing. The so-called Algerian nationalist movement (this name is highly misleading) has been since 1955 a warring congeries of marauding gangs whose main work has been to terrorise the Muslim majority into a political obedience that could not be obtained spontaneously or by persuasion, and which even today hesitates to accept the offer of free elections because it is uncertain that it could talk, rather than shoot, its way to parliamentary power. These facts are recalled as explanations, not excuses, for what has followed.

What has followed is that the French "pacification" force has sunk to using, in certain cases, the stupid and indiscriminate terrorism of the rebels, and not only against the rebels themselves but against all Muslims who could be suspected of aiding the rebels, which in practice means just any North African at all. This resort to the adversaries' barbaric methods is shrugged off by some Frenchmen as deplorable but inevitable, and anyhow "fair" in some grim sense. But this is absurd. What can be expected of armed gangs which represent nobody (and which are being put down precisely because they do not represent "the Algerian nation") is not what can be expected of an army with a long and famous tradition and which represents a civilised government. Worse, it is a matter of simple political calculation that while terrorism might conceivably encompass the rebels' ends if it got bad enough, counter-terrorism can never encompass the French community's ends, which consist not in trying to drive someone out of the country but in trying to persuade people to live and work together.

Torture and terrorism might serve to maintain Portugal's foothold in Goa, but they cannot possibly sustain the French case in Algeria, for that case rests on the fact (and it is a fact) that Algeria is not just another imperialist colony but a place where settled and permanent communities, millions strong and having no other home, have to learn to live freely and equally. Every peaceable Muslim brutalised, tortured or butchered in Algeria today means ten Muslims who are determined not to work in peace with the French in the future. So just from the viewpoint of political calculation, the excesses now being perpetrated by a section of the French army and police in Algeria constitute the merest stupidity. But some of the cases reported (naturally none of them is fully proven, for official crimes can rarely be proven literally) go well beyond stupidity. People are said to have been third-degreed, kept sleepless, questioned for days together, drugged, given electric shocks in the sexual organs, beaten on the soles of the feet or just coldly murdered as reprisals victims. Though racialism has no doubt played its part, many of the victims of these outrages have

been Europeans, especially Communists, who aid or sympathise with the rebels.

Facts of this sort involve mostly the police force, and admittedly police tactics are none too pretty anywhere, least of all in Latin and Oriental countries. More serious are charges against the Army. It was hoped when a conscript army was sent to North Africa last year that the psychological situation would improve: the conscripts from the metropolitan country were not, after all, colonialists, they did not like the Algerian French and had no wish to defend private interests and outdated institutions. And indeed the Algerian French received them with as much suspiciousness as did the North Africans. But the psychological situation has not improved; it has worsened. This is because the conscript army is necessarily staffed by soldiers who have seen service in Indo-China and who have brought to the totally different conditions of Algeria the bitterness accumulated at Dien Bien Phu. The French army slang today the Algerian rebels are called "Viets", and this small fact shows the tragic confusion that is leading a democratic army to fight the wrong war with the wrong weapons.

When the army heirarchy began to suspect that troops were not being too particular about establishing the rebelliousness of the North Africans they shot down, it was decreed that captured weapons had to be forwarded to headquarters in exact equivalence with the numbers of casualties inflicted on the adversary. It now transpires that units in the field carry with them regular "kitties" of spare weapons which they "save up" when rebel stocks are captured and which they trade among themselves, so that they can always have material 'proof" that unarmed and innocent villagers shot down were really armed desperadoes.

To all such accusations the French Government in Algiers and Paris is replying that even cases that could be proven true would remain exceptions, that the mass of the army and police is not guilty of such outrages and that it is disloyal and unpatriotic to blacken the Army by pinpointing rare instances of savagery. All of which is no doubt quite true, but only means that counter-terrorism is not French official policy in Algeria. The fact stands that the weight of "exceptions" is already too great for the national conscience to bear. The pacification programme, which is nearing a crucial political test in Algeria itself, now faces a scarcely less serious moral test in metropolitan France. Continued use of the tactics mentioned, even if exceptional, will dig France's grave in North Africa. The interests of the French community there are so substantial that it is difficult to imagine them ever being liquidated—but that merely means that the grave when it has been dug will be a very big one.

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B.I.C.

Economic Report from the U. S.

A WAGES-PROFITS DEBATE

(BY GUY SIMS FITCH)

WASHINGTON, March 9.—Economists, business men, labour leaders and Government officials in the United States have lately been probing the American economy, trying to ascertain not only future trends, but the results of past developments. Their probing has touched off an absorbing debate—most recently on the question of what caused the moderate inflationary movement of 1956.

The weekly publication of the American Federation of Labour Congress of Industrial Organizations (AFL-CIO), the nation's leading labour organization, criticized this week those who regard "excessive" wage gains as the prime move in last year's 3 per cent price rise. The argument that set AFL-CIO Editorial pens into motion goes something like this: wage increases last year exceeded productivity gains, thereby pushing up business costs, depressing profit margins, and necessitating higher prices.

In rebuttal, AFL-CIO leaders contend that wage increases are important to maintain consumer spending, that business profits last year were large enough to absorb most of the increased labour costs, and that in any case productivity now is rising again at a faster pace. As is so often the case, debates of this kind tend to be oversimplified. The fact is, of course, that both profit margins and wage increases last year were part of that general economic development that was—and still is—stimulated by strong demand for goods and services. Inflationary strains resulted primarily from efforts to expend too rapidly at a time when the US economy was running at near-capacity and maximum-employment levels.

In this situation, the US Government has been following the so-called "tight money" policies. These are designed to slow down the rate of economic expansion by discouraging excessive business and consumer borrowing. The Government has been avoiding direct controls over prices and wages. These it considers neither necessary at this time nor desirable in a free economy. But it has called for voluntary, private restraint to supplement its monetary policies. Its call for restraint applies equally to business and labour—to pricing policies as well as wage demands.

At this stage of the current debate, another element moves to the forefront. It is the question of how long and how assiduously restrictive policies and private restraints should be employed if and when they begin to have an appreciable effect on economic activity. At this point, the question remains hypothetical, but one that nevertheless must be considered. One view holds that—as a noted economist has put it—a little inflation is better than a little unemployment. Another school of thought holds that inflation, once started, may become increasingly difficult to stop; and, at any rate, even slight price increases year after year eventually out the purchasing power of Americans, workers included.

These discussions have so far resolved little. But they have had one notable effect: They have pushed into the background some dire warnings heard a few weeks ago about inflationary dangers. It is new evidence of the soundness of the US economy that these warnings have had no dramatic effect on its activity. In fact, the imminence of a serious economic downturn has not only been dismissed by President Eisenhower, but it has also been quickly and decisively discounted by many prominent economists, business men and government-officials, regardless of their economic viewpoints.

Of late, there have been some signs of an easing of inflationary pressures. Thus, the major points of the present debate may disappear in time or be supplanted by other topics. But while the debate is underway, it is generating the kind of thoughtful self-examination that in the end contributes to a better understanding of the free and dynamic American economy. It is no exaggeration to say that such discussions have been the means of resolving many thorny problems as the US Economy has moved on to greater stability and strength.

THE BELSUND SUGAR COMPANY LIMITED

NOTICE

The Annual Ordinary General Meeting of Shareholders will be held at the Registered Office of the Company, 14, Netaji Subhas Road, Calcutta-1, on Monday, the 6th May, 1957 at 11-45 A.M. for the purpose of receiving the Directors' and Auditors' Report for the year ended 30th September, 1956, passing the Accounts, declaring Dividend, electing Directors and Auditors in place of those retiring and transacting any other ordinary business that may be brought forward.

The Share Transfer Books of the Company will remain closed from 22nd April, 1957 to 6th May, 1957, both days inclusive.

The Dividend Warrants will be sent to Registered Shareholders.

By order of the Board,

Per Pro. BANGUR BROTHERS LTD.,

(B. G. BANGUR),

Managing Agents.

14, Netaji Subhas Road,

CALCUTTA.

Dated, 28th March, 1957.

N.B.—A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

WORLDGRAM

AGRICULTURE

U.S. Crop Acreage: The U.S. Department of Agriculture reports that American farmers probably will plant the smallest acreage of crops this year since the World War I. Corn plantings are expected to decline some 4,100,000 acres; spring wheat will decline about 3,500,000 acres, and rice about 2,00,000 acres. Decreases are also expected in peanuts, oats, sweet peas, tobacco, dry peas, hay and flax seed. Increases over 1956 were forecast for barley, sorghums, potatoes, dry beans, soya beans and suger beets. A department survey indicated that about 277 million acres would be planted for 16 major spring crops, about two million acres under that planted to the same crops last year.

*

£50,000,000 Plan to Improve Britain's Farms: Grants of up to £50,000,000 over the next 10 years for farm improvements in Britain will be authorized by a new agriculture Bill now before Parliament. Authority would be sought to increase the amount to not more than £55,000,000. Production grants, had more than doubled over the past five years, and were now running at over £70,000,000 per year.

INDUSTRY

Production of Cables in Hindustan Cable Factory: During the month of February 1957, 48.962 miles of cables were manufactured in Hindustan Cables (Private) Ltd., Chittaranjan, bringing the total length of cables produced during 1956-57 to 556.331 miles. The target for the month which was 46 miles, was thus exceeded by 3 miles of cables. The total value of the cables produced during the year up to the end of February 1957 was Rs. 75,56,024. The total length of cables sold during the month was 39.14 miles, valued at Rs. 8,62,049.

*

Tests For Colour Fastness Of Textile Materials: Five Indian standards covering methods of test for determination of colour fastness of textile materials to acid chlorination, potting, soda boiling, water spotting and carbonizing with sulphuric acid have been published by the Indian Standards Institution. Copies of these standards can be had from the Indian Standards Institution, 19, University, Delhi-8, and its branch offices at 40/40A Cawasji Patel Street, Fort, Bombay and P-11, Mission Row Extension, Calcutta.

*

Cement Packing Charges For Next Quarter: 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. 13-2 per ton. The packing charges for the next quarter commencing from April 1, 1957, work out to Rs. 13.44 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. There will, however, be no change in the equalised f.o.r. destination price of cement announced in the Cement Control Order dated June 26, 1956, on account of the quarterly revision in the rate of packing charges for cement. Such changes in the rate of packing charges will apply to supplies of loose cement.

Production Of Steel In The Second Five-Year Plan: The production of finished steel in India in 1957-58 would be 1,385,000 tons and 1,200,000 tons of steel would be imported during the year. This compared with the production of 1,335,000 tons of steel in 1956-57 and imports amounting to 1,850,000 tons. In 1958-59 the production of indigenous steel would go up to 1,510,000 tons and imports would be 600,000 tons. The production in 1959-60 will go up to 2,085,000 tons against imports which will be 600,000 tons. In the last year of the Plan the production will be as high as 4,080,000 tons and imports 200,000 tons.

TRADE

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. 3-6-1 per pound as against Rs. 3-15 per pound in force from February 1, 1957. There is no change in the existing rate of export duty of annas six per pound.

*

Indo-Iraq Trade Agreement Extended: Letters have been exchanged at Baghdad between Shri R. S. Mani, Ambassador of India to Iraq, and the Minister of Economics, Royal Iraqi Government, further extending the Trade Agreement between the Government of India and the Royal Iraqi Government. The Agreement which was due to have expired on December 31, 1956, will now remain in force without any change for a further period of one year from January 1, 1957. The agreement provides for the export and import of the following commodities in accordance with the import-export regulations in force from time to time:

EXPORTS FROM IRAQ TO INDIA:

Animals, cotton, foodgrains, dates, gallnuts and hides and skins (light weight).

EXPORTS FROM INDIA TO IRAQ:

Food and agriculture products, timber and related products, textiles, fibres and bristles, rubber products, hides and skins and related products, ceramics, pottery, glassware and allied industries, arts, handicrafts, and jewellery, chemicals and related products, minerals and ores, machinery and mineral products; iron and steel and their products, abrasives; belting; birds, films exposed; linoleum and stones, (precious and semi-precious).

*

Exports Risks Insurance Corporation To Be Set Up: The Government of India have decided to set up an Export Risks Insurance Corporation to provide protection to exporters against risks arising in export trade, as a measure for stimulating the country's exports. The Corporation will be registered as a company under the Companies' Act and all its shares will be owned by the Government of India. The necessity or desirability of converting it into a statutory corporation will be examined in due course after adequate experience of its actual working is obtained. The Corporation will cover only those risks which have been recommended by the Committee and will take care not to cover risks where there can be collusion between exporters and importers, fraudulent practices and losses due to the fault of the exporter and/or the foreign buyer.

*

Trade Handled At Cochin Port In 1955-56: The total volume of trade that passed through Cochin Port during 1955-56 was 16,08,687 tons, the highest on record, and showed an increase of 57,068 tons as compared with the volume of trade of the previous year. The increase in trade was due to larger coastal traffic and foreign exports. The working of the port during the

year resulted in a surplus of Rs. 9.10 lakhs as against a surplus of Rs. 10.92 lakhs during the previous year. The traffic dealt with at the wharves during 1955-56 represented 46.9 per cent of the total traffic as against 42.5 per cent in the previous year. Compared with the previous year, the tonnage of cargo carried by sailing vessels showed a slight increase of 7,892 tons. The main imports consisted of mineral oils, rice, paddy, other grains and pulses coal, cashewnuts, sugar, machinery, oil seeds, cotton, oil cakes and salt and the main exports were coir produce, mineral sand, cashewnuts and kernels, tea, rubber and pepper.

FINANCE

Per Capita Income And Tax: In a written answer to a question by Shri S. C. Samanta, the Finance Minister, Shri T. T. Krishnamachari, revealed in the Lok Sabha recently that the estimate of national income in India for 1955-56 was not yet available. For 1954-55, the per capita income worked out at Rs. 262.1 (at current prices). On the basis of 'revised estimates' of tax receipts at the Centre and in the States for 1955-56, per capita taxation in that year worked out at about Rs. 9.7. The percentage of tax this year in comparison with the income could be calculated only after the estimates of national income for 1955-56 was available. The Minister added that information was not available on how the percentage of tax in India compared with those in the United Kingdom, the United States of America, the U.S.S.R. and China.

*

Royalty Paid To Foreign Firms: The Deputy Minister, for Finance, Shri B. R. Bhagat, told the Rajya Sabha recently that information was not readily available about the total amount of royalty paid in 1956 by the Government of India through departmental channels to foreign firms for technical know-how. The amount paid by Indian firms both Government controlled and others in 1956, was Rs. 105.99 lakhs, according to the accounts maintained by the Reserve Bank.

*

French Investments In India: In a written reply to a question from Shri M. Valiulla in the Rajya Sabha recently, the Finance Minister Shri Krishnamachari said that French investments in India on June 30, 1948, amounted to Rs. 49 lakhs. Information subsequent to 1948 was not separately available as figures of French investments had been merged with those of "other countries" in official statistics. The Minister added that Government were not aware as yet of any proposals for the investment of further French funds in this country.

*

Aid For Sericulture Schemes. For the development of sericulture industry, grants totalling Rs. 38,10,011 have been sanctioned by the Government of India up to March 18, 1957. Besides, a sum of Rs. 27,31,651 has been sanctioned as financial assistance in the form of loans to 15 schemes. The total provision for grants and loans to the sericulture industry for the financial year 1956-57 was Rs. 60,00,000.

GENERAL

Chittaranjan Loco Works Sets Up New Record: The Chittaranjan Locomotive Works has set up another record of production when the 500th locomotive rolled out of the factory on March 25, 1957, since it was established seven years ago. 'WG' locomotive is one of the heaviest type of the broad gauge freight locomotive and weighs about 174 tons in working order and has a horse power of 1,300 at 35-45 miles per hour. It may be recalled that production in the shops commenced on January 26, 1950 and the first locomotive, assembled out of imported components steamed off on November 1, 1956. In 1950, three locomotives were turned out. In 1951 — 16, 1952 — 30, 1953 — 54, 1954 — 86, 1955 — 123, 1956 — 150 'WG' locomotives were turned out and at present the shops are manufacturing 14 'WG' locomotives per month. The workshop was set up for a target production of 120 average size locomotives per year which figure was reached as early as May 1954 and since then Chittaranjan Locomotive Works is breaking the old records every month and thus contributing towards India's self-sufficiency in motive power requirements.

*

Progress in Ambar Charkha Programme: At the end of January 1957, the number of Ambar Charkhas manufactured had increased to 50,026 as compared to 37,175 at the end of December 1956. The greater part of the manufacture was done in the 74 decentralised Saranjam Karayalayas established by the All-India Khadi and Village Industries Board. Out of the total number of Ambar Charkhas manufactured so far 20,134 have been distributed to independent spinners for commercial production of yarn. Production of Ambar Charkha yarn up to the end of January 1957 was 3,20,008.85 lbs. as against 2,14,711 lbs. up to the end of December 1956. As regards the production of cloth the total quantity produced at the training centres up to the end of January 1957 was 7,81,687 sq. yards. Estimates which are, however, incomplete, indicate that commercial production of Ambar Cloth till the end of January 1957, is of the order of 4,481 sq. yards. The cloth sold was 1,647 sq. yards, bringing the total sales of Ambar cloth to 15,645 sq. yards.

*

Employment Through Exchanges During First Plan Period: Those given employment through the Exchanges during the first Five Year Plan numbered 12,32,175 stated Shri Khandubhai K. Desai, Union Minister for Labour, in reply to a question by Shri S. C. Samanta in the Lok Sabha recently. The number comprised 1,28,122 (including 80,253 ex-service men) retrenched personnel. The percentage of employment given to the total number registered was 16.7.

*

Industrial Disputes and Relations in India During January, 1957: There was decreased time-loss due to industrial disputes during the month of January, 1957, as compared to the previous month, according to Labour Bureau, Government of India. The total time-loss during the month was of the order of 3 lakh man-days as against over 4 lakhs recorded during the previous month. The time-loss during January, 1957, was also lower than the monthly average time-loss of 591,330 during 1956 by about 52.5 per cent. The number of fresh disputes arising during January, 1957, was 93 and these involved 43,201 workers. The corresponding figures during the previous month were 116 and 46,856 respectively. One hundred and twenty-one disputes were current at any time during the month. These involved about 50,000 workers. In the previous month the number of disputes was 115 and these involved about 66,000 workers. The average duration of disputes current at any time during the month was 5.4 days as against 6.9 days during the previous month.

*

Development of Heavy Chemical Industries: The Government of India have reconstituted the Development Council for Heavy Chemicals (Alkalis). The Council which will function under the Industries (Development and Regulation) Act, will advise Government on the development of the heavy chemical (alkalis) industries. The special functions of the Council will be to recommend targets of production and co-ordinate production programmes. It will suggest norms of efficiency in order to eliminate waste, improve quality and obtain maximum production. Measures for securing the fuller utilisation of the installed capacity and promotion of marketing arrangements and labour welfare measures will be among its other functions.

NEWS IN BRIEF

INDIAN

An increase of 1.21 million tons was recorded in the production of coal in India during 1956 as compared to the production in 1955. The total quantity raised in 1956 was 39.43 million tons as against the total quantity of 38.22 million tons for 1955.

*

An Indian standard specification for size grading of coal and coke for marketing (revised) has just been published by the Indian Standards Institution. The standard prescribes tentative standard sizes of coal and coke for marketing as also the method of sampling for size grading.

*

The Indian Standards Institution has published an Indian standard for bone-meal, steamed. This standard prescribes the requirements for bone-meal used as manure.

*

In view of the increase in the landed cost of imported Ammonium Sulphate and a higher issue price by Sindri, the Government of India have decided to raise the Central Fertiliser Pool issue price of Ammonium Sulphate for cultivators by Rs. 35 per ton.

*

About 11,500 more employees in Uttar Pradesh received benefits under the Employees' State Insurance Act which was extended to Allahabad, Varanasi, Rampur and Kalyanpur (Kanpur District) from the midnight of March 30, 1957. This brings the total number of workers covered by the Act to 11.22 lakhs.

*

India attained self-sufficiency in salt for the first time in hundred years only in 1951. Since 1950 no import of salt is allowed and even though a provision for import of 10 lakh maunds of rock salt was made in the Indo-Pakistan Trade Agreement of August 1955, no import of salt from Pakistan to India took place.

*

The Government of India have released a further quantity of 1.67 lakh tons sugar for free sale. This brings up to the total releases so far made out of 1956-57 production to 5.68 lakh tons which include 0.46 lakh tons released for export.

*

The first meeting of the Board of Directors of the Central Warehousing Corporation which was held recently has decided to issue one lakh shares of Rs. 1,000 each of which, in the first instance, 10 per cent will be called up with share application and 10 per cent on allotment.

*

A peak production of 8.6 crore maunds was attained in 1953, which was in excess of the target of 8.37 crore maunds envisaged under the first Plan. It further improved in 1955 and was about 10 per cent above the 1954 level.

*

The Government of India have sanctioned a loan of Rs. 1 crore to the Bombay Government for the concrete-cum-masonry dam on the Koyna river. This brings the total amount so far given for this project to Rs. 4.10 crores.

*

A provision of Rs. 189 lakhs has been made for the development of existing salt works in the second Plan. Besides, a sum of Rs. 1 crore is likely to be spent on the development of the Mandi Salt Mines — the only source for rock salt in India.

FOREIGN

An energy tax estimated to yield Kr. 525 (£36 million) per annum and primarily aimed at financing a considerable expansion of Sweden's power output, including nuclear plants, and at increasing oil and petrol storage capacity is to be introduced by the middle of this year.

*

It is reported approximately £23 million is to be spent by the Kenya Government during the next three years in expanding Kenya's economy and developing production.

*

Industrial production, personal income, consumer spending and employment were at record or near-record levels in U.S.A. in the first months of 1957.

*

Great Britain received less Canadian newsprint during February and the first two months of this year than in the parallel periods a year ago.

*

U.S. consumption of natural and synthetic rubber —a short working month—was 123,525 tons against 139,228 tons in January and 125,525 tons in February 1956.

*

In spite of a drop of £5.2 million in butter receipts, the export income of New Zealand for the year ended February 28, rose by £11.2 million to £317.8 million and left a surplus of £1.3 million in overseas transactions.

*

The United States concluded recently two 40-year loan agreement with Burma totalling $42.3 million (£15.2 million) for economic development.

*

Nigeria's exports of minerals fell in value by £1,683,764 to £10,040,167 in the year ended March 31, 1956 compared with the previous years.

*

According to the Soviet News Agency, 'Tass', a total of 76 million tons of oil is expected to be contracted this year in the Russian Federation. In 1950 oil production in the whole of the Soviet Union amounted to 70 million tons.

*

Gold and foreign exchange reserves of the Bank of Indonesia have fallen again, the latest figure 2,083 million rupiahs being 84 million rupiahs lower. Advances to Government are 42 million rupiahs up at 7,535 rupiahs and the lower of liabilities is now down to 18.10 per cent.

*

It is reported the European Coal and Steel Community proposes to issue during April $25 million worth of 18-year secured Bonds, due 1975, and $10 million worth of serial secured Notes due 1960-62.

*

Canadian farmers intend reducing their area under wheat this year to 19.8 million acres, the lowest point in 14 years about 1.5 million acres less than a year ago.

*

During February Hong Kong's exports were valued at H.K.$444.1 million or an increase of H.K.$113.8 million over February last year. The value of Hong Kong's exports was H.K.$ 245.2 million an increase of H.K.$3.4 million over February, 1956.

Special Articles:

A REVIEW OF INDIA'S FIRST NATIONAL POLL

(A COMPARISON OF THE GALLUP POLL PREDICTIONS WITH ACTUALS)

(Contributed by The Indian Institute of Public Opinion)

NOW that the results of the elections to the Lok Sabha have been announced for 488 seats, it is possible to compare these results with those predicted on the basis of a pre-election poll conducted by the Indian Institute of Public Opinion and printed in 'The Eastern Economist' Blue Supplement of February 22, 1957. Has the technique of public opinion research been proved in the event in Indian conditions? What has been the margin of error and with what confidence can one view public opinion research conducted on similar lines? These are important questions which are of interest beyond the prediction of the Congress vote in the Lok Sabha which was only a laboratory test of a method that has much larger implications.

Table I gives the prediction of the Indian Institute of Public Opinion as published and the actual results obtained from the elections. It should be remembered that the Congress won 12 seats unopposed and the Party did not put up candidates in four constituencies where contests took place. Also six results are yet to come from Himachal Pradesh and the Punjab. Table II below, therefore, gives the results after corrections for the above-mentioned factors for which no provision was made in the poll.

TABLE I.

SHOWING COMPARATIVE RESULTS OF THE POLL WITH THE ACTUAL ELECTION RESULTS

States (Except Manipur, Tripura* & Jammu and Kashmir)	No. of Seats	As Predicted percentage of Congress Votes	As shown by Actual Election Results: Percentage of Congress	Valid votes polled	Votes polled by Congress
I	II	III	IV	V	VI
Andhra Pradesh	43	59.4	51.2	95,26,605	49,05 153
Assam	12	53.0	57.3	20,67,591	11,84,708
Bihar	55	46.0	45.8	89,31,386	40,87,209
Bombay	66	46.0	48.6	1,65,45,725	80,33,146
Kerala	18	41.7	35.1	59,59,732	20,91,712
Madhya Pradesh	36	57.0	52.1	76,29,233	39,74,347
Madras	41	59.8	47.8	1,16,01,433	55,42,963
Mysore	26	62.0	55.4	58,06,440	32,19,014
Orissa	20	45.0	40.9	43,47,669	17,77,333
Punjab	22	58.4	50.9	61,13,523	31,13,657
Rajasthan	22	46.9	53.6	46,49,093	24,94,094
Uttar Pradesh	86	55.0	46.4	2,28,27,658	1,05,92,594
West Bengal	34	53.3	50.7	1,00,94,998	51,20,857
Delhi	5	55.0	53.7	2,18,092	4,40,875
Himachal Pradesh	4	53.0	(Elections still to be held)		
Total for All India without any correction	490	**53.0**	**48.3**	11,63,19,178	5,61,77,657

* Manipur and Tripura were excluded from the pool, hence credit has not been taken in Columns V, VI. VII and VIII for these two Union territories.

TABLE II.

Showing Results after Correction (i) for the Twelve Unopposed Returns; (ii) Four Seats not Contested by the Congress and (iii) Results still to come.

	Total No. of valid votes polled**	Votes polled by Congress**	Percentage Congress
Actual results without any correction	11,63,19,178	5,61,77,657	48.3
(i) Credit at 48 per cent for four seats which the Congress did not contest	..	4,56,065	..
(ii) Credit for 12 unopposed returns for Congress at 60 per cent	29,69,220	17,83,532	..
(iii) Credit for six seats still to be declared in Punjab and Himachal Pradesh at 51 per cent	14,84,610	7,57,151	..
Results with the above three corrections	12,07,73,008*	5,91,74,405*	49.0*

** Entries in this column against (i), (ii) and (iii) are our estimated corrections.
* As corrected for 12 unopposed returns; four seats not contested by Congress; and six results yet to come.

It will be seen from Table II that after the necessary corrections are made for unopposed returns, seats uncontested by the Congress and the results still pending, the actuals for the Congress vote work out to 49 per cent, against 53 per cent indicated in the pre-election prediction. This happens to be within the margin of error of about four percentage points computed on the assumption that the sample was designed with the chance of failure 1 in 10,000. Statistically speaking this poll was, therefore, a successful illustration of the application of random sampling and public opinion research techniques to Indian political conditions.

Attention might also be directed to the fact that all the incidental predictions of the Indian Institute of Public Opinion have been fulfilled in this case. These were to the effect that the Congress party would poll a substantially larger number of votes than it did in the 1951-52 elections, and that if majorities were of the same order as in the previous elections, Congress would get an additional number of seats. In the present case, as against 354 seats in the last Lok Sabha, Congress has actually obtained 366 seats with six results yet to come and in particular it has a majority large enough to amend the Constitution on its own. The Indian Institute of Public Opinion also correctly estimated the actual poll at near 120 million including the invalid votes, which were polled though they were not fruitful.

Some observations need, however, to be made on the areas where the poll was less successful than elsewhere. It will be seen that almost complete accuracy was obtained in Bihar and substantial accuracy (within about 2.5 per cent) in Bombay and Delhi. Close results, that is, within about five percentage points, were obtained in most States of the Indian Union. The error was largest in Madras and Uttar Pradesh; in both cases beyond the range of error suggested by mathematical sampling error alone. There is 'prima facie' indication here that the quality of interviewing was weaker here than elsewhere. The chances of error in Uttar Pradesh were increased by the fact that the sample chosen for that State in the event was unduly small. Conceivably the error might have been significantly reduced, had a sample as large as that of Bombay (over 500) been taken in the case of Uttar Pradesh. Both the Uttar Pradesh and Madras samples suffered from the omission of certain areas. It seems plausible to assume that, with the additional experience gained, the technique of public opinion research in these States can be developed so as to produce more accurate results.

It may be mentioned that the margin of error in the first of the series of Gallup predictions in the United States was 6.8 per cent against an average error of 3.3 per cent for eleven predictions. The fact that in Indian conditions the margin of error has been about 4 per cent in the first poll of its kind in India (comparing well with Gallup predictions' average error of 3.3 per cent) suggests that the Gallup procedure is appropriate to India though some improvements may be required in designing and training, for both of which there was no adequate opportunity in the present case. Conceivably also part of the error might be due to the fact that the Gallup Poll was taken three weeks before the actual poll and, because of financial and administrative considerations, it could not be repeated a week before the election. There is 'prima facie' indication that non-Congress party election campaigns did influence a significant number of voters, though this does not seem to have affected the broad character of the result.

Assuming that the confirmation obtained in this poll of the value of public opinion research methods indicates that honest and correct opinions can be obtained to certain questions in India and that these reflect the structure of public opinion in the country, one might conclude that just as an event such as the electors' voting intentions can be predicted, so can the reasons which have prompted these intentions. In this particular case, some of the factors which operated in making party preferences are age, religion, income group and other background of the voters and conceivably the influence, on opinions, of the personalities of the candidates.

RATES OF ECONOMIC GROWTH

THE Deutsches Institut fur Wirtschaftsforschung in Berlin (which will hereinafter be referred to as the DIW, so as to leave me room to say something about it) is one of Europe's leading economic research institutes and it has lately published a study of rates of economic expansion in various leading countries. The United Nations and its affiliates attempt this sort of thing from time to time, but a less official agency has the advantage that it can practise the necessary correction of government statistics (especially from Russia) that is required to make these comparisons at all valuable. The DIW's figures are full of interest for the economist, and the few I will give here are equally useful for the layman who wishes to set political news in an economic perspective at a time when political power is increasingly based on economic potential.

The most interesting of the DIW's statistics refer naturally to the balance between Communist and non-Communist economic power. After reducing exaggerated Soviet claims to reasonable proportions, the DIW concludes that Russian industrial output today is just half American, but already exceeds the combined industrial output of Britain, France and West Germany. In fact Russian output, at the latest period for which reliable figures are available, more or less equals the combined output of Britain, France, West Germany, Canada and Japan. The following table, in which the industrial production of various countries is expressed as a percentage of U.S. output, clearly establishes the heirarchy of present, or recent, industrial power:

U.S.A.	100
U.S.S.R.	48
Germany (East and West)	19
Britain	17
France	9
Japan	6
Canada	6
"The West" (without USA)	53

The same figures looked at differently, expressing various countries' output as a percentage of Russian production, give this heirarchy:-

U.S.A.	207
U.S.S.R.	100
Germany (East & West)	40
Britain	36
France	18
Japan	12
Canada	13
"The West" (without USA)	100

But there is a factor that upsets these neat lists and which makes it necessary to emphasise that, although based on the most recent figures, they may already be out of date. That factor is the extraordinarily high rate of expansion now being achieved in the Soviet Union. Russian industrial output is estimated to have

increased by 11 per cent last year, against an increase of 2 per cent in the U.S.A. Where the discrepancy between growth rates is so wide, the balance of economic power can shift very quickly. The Russians indeed claim that their output will equal or exceed American within five years or so, but the DIW, extrapolating with less enthusiasm, puts the overtaking date somewhere between 1985 and 2000 A.D.—so obviously we can disregard this question as beyond the bounds of scientific prevision. What is quite likely is that within 7 or 10 years Russian industrial output will have attained present American levels, but meantime American expansion will have continued and thereafter the rate of Russian growth will begin to fall.

Before drawing any hasty political conclusions from the discrepancy between Russian and American growth rates, it is necessary to notice that the Russian figure is by no means unique in Europe and is in recent years being equalled or exceeded in both France and West Germany; it has been approached in Canada and Japan and was in one recent year much exceeded in the last-named country. So a growth-rate of 10-12 per cent per annum does not necessarily have anything to do with "planning" or any other form of economic dragooning. It has much more to do with the stage of industrialisation — higher figures being achieved in the early stages when the technological innovations of other countries are being exploited quickly — and lower figures being achieved once a plateau of maturity is reached. And there is nothing irrevocable about this latter stage: an old industrial country can become young again after a period of stagnation, and this is happening now in France. Especially high growth rates are recorded in countries where industrialisation begins late, as in Russia and Canada, but there is a slowing up as full employment is approached.

But when all these reservations have been made, the fact stands that between 1929 and 1955 the tempo of industrial expansion in Russia has been sensibly higher than elsewhere. In the post-war reconstruction period, the Russian growth rate was commonly equalled elsewhere, but between 1950 and 1955 Russia maintained an annual rate of increase of more than 10 per cent, while other countries fell well below that figure, save the exceptions noticed above. During this latter period, the Russian industrial growth rate was about three times the American, so that in five years Russian output increased from one-third to one-half of U.S. output. More surprising, it appears from the DIW statistics that the absolute annual increase in output that comes on to the Russian market is already greater than the annual increment in output in the U.S.A., despite the fact that one total is only half the other; between 1950 and 1955 the absolute increase in output in Russia equalled 35 milliard U.S. (1929) dollars, while the corresponding figure for the U.S.A. was 31 milliard (1929) dollars.

It is hardly necessary to mention that the bulk of Russian achievement is concentrated on industrial raw materials: it is only in coal, cement, pig iron and unfinished steel that Russian output is comparable with West European and American. The global figures such as I quote here disguise this, but the DIW analysis of output by commodities shows how far inferior is Russian output of consumer goods such as textiles and artificial fibres. The organisation of Russian industry is not designed to impress consumers, but to impress statisticians and army generals.

With their economy achieving such high growth rates, it is not surprising that the Russians are optimistic about overtaking the U.S.A. within a very few years. The learned Berlin economists whose work I am summarising are much more cautious. It is not that Russians' prophecies are insincere or just propaganda; it is rather that febrile optimism about the future is a natural accompaniment of a period of vast economic expansion. The DIW has calculated the growth rates for half a dozen major countries from 1870 to 1955, and concludes from this review that the Russian growth rate will hereafter begin to fall and within a few decades will be down to the American level. All the time it is falling, of course, it will remain higher than the American figure, so Russian industrial power will constantly be drawing nearer American, but parity will not be achieved much before the end of this century.

Statistical extrapolations apart, there are sound economic reasons for expecting a decline in the rate of Russian expansion. An acute manpower shortage is foreseeable in Russia in the near future, and full employment naturally rules out spectacular growth rates. Moreover, the forced and rapid industrialisation of Siberia and the Russian Far East will also involve a type of investment — in railways, roads and population transfers — that must reduce strictly industrial investment. Nevertheless, Russian potentialities in men, natural resources and in the room for technical improvement are all greater than in the USA, so the DIW's conclusion is that although the date of Russo-American parity is more remote than the Russians imagine, it is still a virtual certainty. A rather different picture emerges if we combine Canadian with U.S. economic potential; the growth rate and economic prospects of such a "North American bloc" would be in no way inferior to the Russian, despite the lower population and smaller area of North America.

The economic progress of the Communist countries apart from Soviet Russia is much less impressive, both in the absolute volume of output and in the rate of growth, than that of the Western countries apart from the U.S.A. Either Britain or France alone outweigh all of Russia's European allies and there is no sign of this position being reversed. The DIW estimates that the industrial power of the West as a whole is twice or thrice that of the Communist world as a whole.

Various political deductions may be drawn from these economic facts, and that part of the question may be left open. It is only necessary to remember that when one moves from economics to politics, what is important is not present absolute achievement but the rate of growth and expansion.

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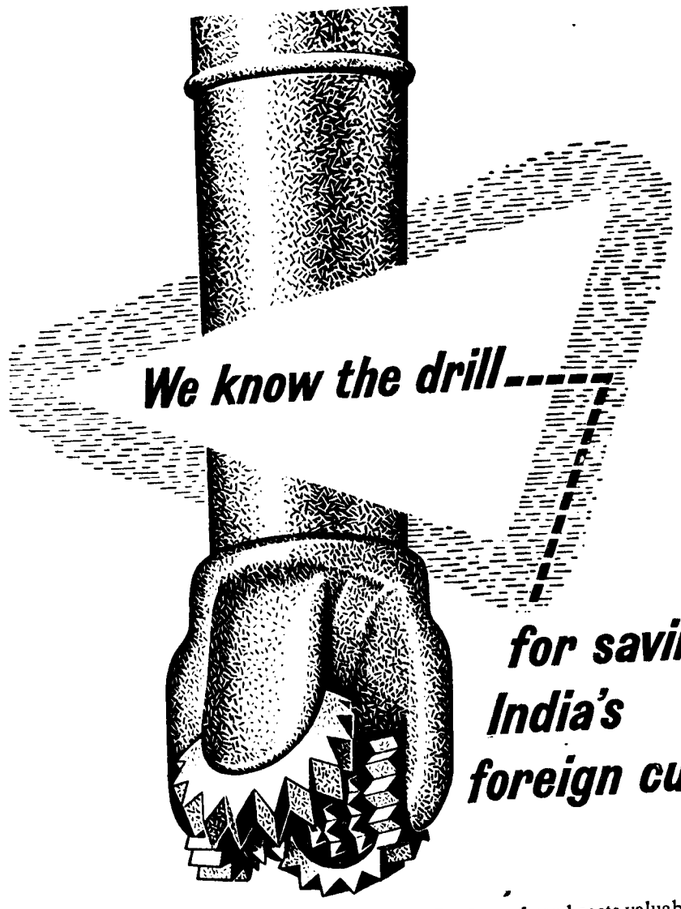
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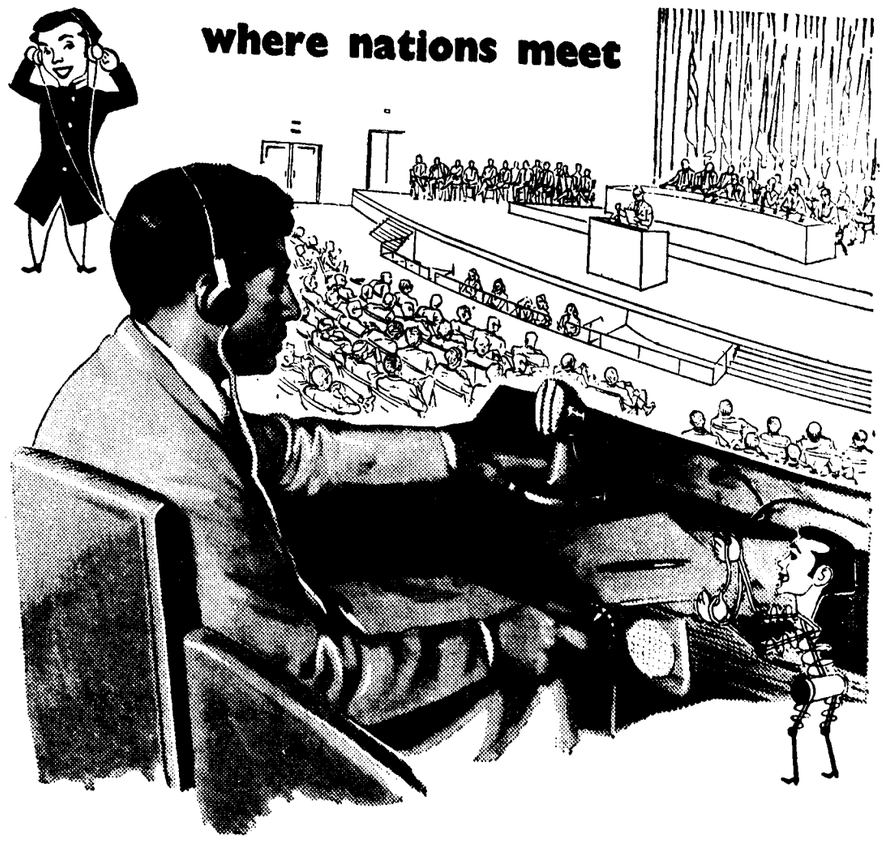
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The Business World

THE ROLE OF THE RESERVE BANK

By

CROESUS

IT is axiomatic that credit expansion and economic development go hand in hand. As such the banking structure in general and the Reserve Bank of India — the Central Bank of the country — in particular have a major role to play in the implementation of the Five-Year Plans for economic development in our country. And if this is to be facilitated, the two admittedly essential pre-requisites are healthy banking traditions and complete autonomy in management for the Central Bank, especially, on economic matters. It is often mistaken that complete autonomy for the Central Bank of a country necessarily involves a cat and dog fight with the Government of that country. Autonomy is desired, it should be noted, more to ensure that the Central Bank does not suffer from any inhibitions when it is a matter of expressing its views on the economic health of the country at a given time and the nature of policy most suited to the needs of a given situation. Without these, there would be no curb even on irresponsible or dangerous economic policies that the Government of a country might pursue. It is especially of the essence of a democratic government like India that there should be freedom for the country's Central Bank, if only because of the unique position the latter occupies, to express its views, even if it should happen that the Government of the day might reject these views and insist on following its own policies. But to say that the Central Bank should not even do this, but simply toe the line of its Government is grievously to miss the point of the whole controversy. Unfortunately, this seems to be the impression left on the minds of many who listened to the Union Finance Minister's address to the Annual General Meeting of the Associated Chambers of Commerce of India, held in Calcutta in December last. This explains why the relevant extract was specifically quoted by Mr. C. H. Bhabha, Chairman of the Indian Banks' Association, at the last annual general meeting of that body to drive home the fact that "an autonomous Central Banking Authority built on solid traditions can go a great way in hastening the nation's progress and promoting the welfare of the people."

This leads one on to a consideration of where the Reserve Bank of India stands. By and large, this central banking institution of India has fared all right and, as Mr. Bhabha said, it has so far functioned with goodwill of all. He also added advisedly, if not deliberately, that it has "aimed to pursue an autonomous policy". For, with its nationalisation, the Reserve Bank could at best only aim to pursue but not really assert itself as it is known to, and could have done in the past. Yet there were occasions even after its nationalisation when the Governor of the Reserve Bank could, and did, freely express his realistic views even when these conflicted with the then held official views. But, as the I.B.A. Chief observed, "the risks of interference by, and dependence upon, Government seem to loom large on its horizon at present", judging from the official attitude, as reflected in the speech of the Union Finance Minister referred to earlier. According to Mr. T. T. Krishnamachari, "even the Reserve Bank has to do something which the Government of the country wants to do...." but one hopes that this will be confined only to implementing official policies and not extend to the Reserve Bank's independent thinking on economic issues and policies. In no democratic country with a Central Bank worth its name is the Central Banking institution prevented from free and uninhibited expression of its considered and expert view on any major economic issue, even when there is reason to apprehend that the Central Bank's views may go counter to those of the Government of the day, although the latter's view may ultimately prevail and the Central Bank itself may have to implement it as the official policy. For this reason, I am sure, everyone will wholly endorse the earnest wish of Mr. Bhabha that the Reserve Bank of India should "grow in healthy traditions and maintain its dignity and autonomy and not become a mere Department of the Finance Ministry of the Government of India". It is in the interests of democratic government too that such should not happen; otherwise, the limits of mischief when another political party with more extremist views comes into power are better imagined than indicated.

While on this subject, I might as well refer to another pertinent observation of Mr. Bhabha relating to the Reserve Bank. Here again, public apprehensions have been aroused by a reported statement of the Union Finance Minister in Madras as it appeared in the daily Press. Oftentimes, even well meant observations, if torn out of the context and referred to without an indication of the particular audience to which they were made, may lead to avoidably unpleasant consequences. I regard the treatment meted out to Mr. T. T. Krishnamachari's speech in question at Madras as one of such instances. Having said this, I am bound to add that great caution and restraint are necessary on the part of anyone, and more so on the part of a Union Finance Minister, when any critical things are said about banking generally and the country's Central Bank in particular, even if there be ample justification for these remarks. Mr. Bhabha was not exaggerating, therefore, when he declared that "such attacks expose the nation to the risk of shaking the confidence, not only of its own people but also of other countries, in the banking system of India. If this confidence is shaken, the great need for the success of the second Five-Year Plan, namely securing a further rapid and substantial increase in banking deposits by developing the saving and banking habit among the people of the country, will not be fulfilled. It is easy to destroy the reputation of banks by attacking them, but it would take them a lot of time, trouble, and hard work to rebuild it". Surely a person of Mr. Krishnamachari's calibre cannot be unaware of this and, if my information is correct, what he actually said in Madras was really not of such a nature, although it was stinging enough, in all conscience, to all banks, not excluding the Reserve Bank. All this would appear to have arisen out of the Union Finance Minister's sheer impatience to get things going in a big way, and perhaps he was entitled to say what he did. But my own objection is not so much to whatever he might have said as to his overlooking one fact, namely that the situation confronting our banks and the Reserve Bank is an altogether new one, even as Mr. T. T. Krishnamachari's whole approach has been novel to them. Being doubly unaccustomed thus, it is possible that our banks and the Central Bank seemed to the Union Finance Minister as rather lacking in initiative. Actually, this is not the case, as he will himself soon make out, if he has not already done so.

One of Mr. T. T. Krishnamachari's known criticisms of Indian banks is that they have not done much to

increase their deposits to keep pace with their advances. Mr. Bhabha did well, therefore, in dealing with this aspect of the matter also. The I.B.A. Chief not only conceded that deposits had not kept pace with advances but went further and pointed out an equally abnormal banking feature of the country, namely, that deposits of our banks have also not been rising commensurately with the increase in our note circulation, while, in other countries, a similar trend is not noticeable. In other words, our bankers are also fully seized of the problem and they seem too to know how to overcome it, given the chance and the proper climate. In Mr. Bhabha's opinion, however, not only do suitable conditions not exist, but certain methods adopted by the Government — and he listed these — have resulted in the deposits being literally snatched away from commercial banks. One of these is "the recently reported tendency, which has caused concern to all commercial banks of this country;" "in the overenthusiasm to show large figures for National Savings and Post Office Deposits, a vigorous campaign appears to be afoot to snatch away deposits of commercial banks by pressing all those who have any connection with any of the local bodies or Governmental organisations to convert some of their fixed deposits or savings deposits with banks into Post Office Savings Deposits or National Savings Certificates".

Of a piece with this, not mentioned by Mr. Bhabha though, is the pressure of State Governments, whenever they float loans, on people to go in for these loans. This naturally results to some extent in diversion of bank deposits to investments in Government securities and, to this extent, the growth of deposits is affected adversely. It is, therefore, necessary, and especially if it is the intention of the authorities that banks must play their proper role in fulfilling the large national objectives and in implementing our national plans, that not only should such unhealthy tendencies be curbed, but, as the I.B.A. Chairman himself observed, a farsighted view will also have to be taken and a liberal policy of active help and guidance extended by the Government to all banks.

REQUISITIONING COTTON STOCKS

By
CROESUS

WHILE replying to the debate on the Budget, the Union Finance Minister stated, the other day, that the Plan should be implemented at all costs, even if it had to be put on a war basis. He did not, however, indicate what special characteristics would differentiate the present Plan from the one to be run on a wartime basis, if need be. But this job of differentiation would appear to have been done for the Union Finance Minister by the Textile Commissioner in Bombay.

Restrictions, rationing and regimentation are all concomitants of emergency conditions that prevail when a country is directly or indirectly involved in war. In other words, they presuppose the prevalence of emergency conditions. That these conditions have not yet come to prevail in our country is known to all, except to some officials. Otherwise, there can be no justification for the assumption of more and more regulatory powers by the Government in various fields of economic activity that one has been witnessing for some time now. The latest instance of what looks like a wartime measure is the requisitioning of cotton by the Textile Commissioner.

By a notification issued by the Government on March 29, 1957, the Textile Commissioner was authorised, under the Cotton Control Order, to requisition cotton by directing any person or class of persons such quantities of such description of cotton as he might specify. It was further stated that any manufacturer desiring assistance from the Textile Commissioner for the purpose of obtaining supplies of cotton could make an application to the Textile Commissioner and also that the latter has been authorised to determine the prices of cotton so directed to be sold.

The 'immediate' provocation for such an extreme step by the authorities seems to have been provided by reports alleging that cotton had been transacted at above the ceiling prices. It was only a day prior to the publication of the Press Note in question, that the official "discovery" seems to have been made that there had, in fact, taken place some cotton deals beyond the ceiling levels. Actually, however, there have been current unofficial reports, day in and day out, for well over a month now — almost from the beginning of the third week of February — indicating not only that the futures prices were tending to reach higher and higher levels but that the spot cotton too had started attracting sustained buying at every new high. Indeed, we had ourselves called the attention of the authorities, in these very columns, to the need for investigating the whole question with a view to finding a lasting cure for the cotton malaise. (Vide "The Eastern Economist" dated February 15, 1957).

One thought that the Forward Markets Commission, which has its headquarters in Bombay, thereby enjoying a sort of a ring-side seat, had been watching the cotton futures market at close quarters, especially during the last three or four weeks when spectacular price appreciation had become a pronounced characteristic of the market. Strangely enough, all this while, the F.M.C. did not convey — at any rate there have been no indications — even by as much as the flicker of an eye-lid, that there were happenings transpiring in the cotton market which were out of the ordinary. For aught one cares, therefore, the F.M.C. might well have been located anywhere else and why in Bombay of all places. Further, if a body that has been ostensibly constituted for the specific purpose of ensuring the normal conduct of trading in certain commodities does not enjoy the freedom of action at periods of crises, as seems to be the case, and must needs wait on the approval of New Delhi for every action that it takes, then it might as well not exist at all.

But, be that as it may, what has led to the present rise in the price of cotton, both in the spot and in the futures markets? Even a novice in economics will not find it difficult to answer this poser. It is only the sustained demand for a commodity in scarce supply that has led to these high levels of prices. To argue that all this is due to speculation is nonsense, although it is denied that speculation can and has, to some extent, accentuated the rise in prices; speculation can be completely established only when the statistical position of cotton is quite comfortable and yet there is an abnormal rise in prices. In the present circumstances, on the other hand, it has been proved beyond doubt — what with the steady scaling down of official and trade estimates of cotton crop from 54.20 lakh bales to 49.50 lakh bales and the continued reports of damage to the quality of cotton — that there does exist certain famine of fine cotton, while, at the same time, there has not been a commensurate falling-off in the demand for cotton, in spite of the Government's policy of restricted cloth production, a policy which, in the prevailing circumstances, has, after all, not proved to be an unmixed

(Continued on page 544)

BUSINESS NOTES

HINDUSTAN MACHINE TOOLS

THE COATES MISSION, which recently visited this country to advise the Government on the manufacture of heavy machinery, have commended the work done by the Hindustan Machine Tools in their report which they have submitted to Government. Coming from a team of experts, their observations deserve earnest consideration to revise first reaction about the operations of the factory. It was the criticism of the Colombo Plan expert, Mr. J. D. Scaife in 1955 on the working of this factory as well as the one at Ambernath that drew attention to the whole question of the development of the machine tools industry. The working of the Jalahalli factory was a sad experience for the Government because of various factors and the Estimates Committee itself in one of its reports has focused attention on many of them. It is obvious that there was lack of proper planning and a good deal of delay and wastage in the execution of the project. There was also no co-ordination between the public and private sectors in earmarking spheres of production which led to considerable overlapping and hardship to the latter. All these led to the appointment of the Machine Tool Committee which has now outlined a programme for the development of the industry as a whole.

The team of British experts in their report have now stated that they propose to ignore the background of this project and the length of time it has taken to reach their present-day output. They have no hesitation in asserting if the works "continue to progress as they appear to be doing at the present time, they should be considered to be an asset of considerable national importance". Pointing out that the Indian Government need not be unduly perturbed at the slow start as this was to some extent inevitable due to the very high standards set by the consultants, the report says: "The facts are that India now has a first class machine tool unit in the light/medium range and should turn it to the maximum possible use and now that the fundamentals of accurate machine tool manufacture have been well-established, excessive accuracy should not be demanded on future production on such machine tools as milling machines". A recent report states that the factory registered a production increase of 237 per cent of its original targets laid down for the financial year 1956-57. Taking this fact apparently into account, the British team suggests that "it seems possible that production will outstep the demand for a time, but in view of the rapid expansion of industrial development, Government should be prepared to stockpile these machines against requirements of the second and third Five-Year Plans". The report of the British experts has brought the Jalahalli factory under a new light which may prove of great advantage to its further development.

EXPORT RISKS INSURANCE CORPORATION

WITH A view to stimulating the country's exports, the Government of India have decided to set up an Export Risks Insurance Corporation. The decision is to be welcomed on the score that it would provide protection to exporters against risks arising in export trade. The Corporation will be registered as a Company under the Companies Act and all its shares will be owned by the Government of India. The necessity and desirability of converting it into a statutory corporation will be examined in due course after adequate experience of its actual working is obtained. The Corporation will cover only those risks which have been recommended by the Export Credit Guarantee Committee and will take care not to cover risks where there can be collusion between exporters and importers, fraudulent practices and losses due to the fault of the exporter and/or the foreign buyer. The risks, which, as recommended by the Committee, will be covered are diversion risk, import and export control risks with certain safeguards, insolvency and default risks, war and civil war risks, transfer risks, any other risk which is caused by factors outside the control of the exporter or buyer which arises from events occurring outside the exporters country, C.I.F. risks, and the inability to recoup by sale expenses incurred on market surveys, publicity, stock holding and other promotional measures for the development of a particular market.

The authorised capital of the Corporation will be Rs. 5 crores for the present, the subscribed capital being Rs. 2.5 crores. The subscribed capital will be increased from time to time as the growth of business warrants. The scheme to begin with will be worked on a voluntary basis. But an exporter, who chooses to insure his exports will be required to insure all his exports during a period of 12 months.

It is good to find that the scheme will be worked on voluntary participation. Although compulsory application of the scheme may have certain advantages in reducing the incidence of risk and costs, it has many drawbacks to be set against these gains. This controversy, however, has now been set at rest. So far as risks covered under the scheme are concerned, it is a moot point whether they are the risks which frequently beset export trade. As a matter of fact there should not be much dispute in regard to risks covered as larger and wider risks could always be assumed after a period of successful working of the scheme.

It is a matter for gratification that the Corporation has been set up at long last. It removes one handicap which operated to the detriment of Indian exporters in a highly competitive world market. There is no doubt that such a scheme is a valuable aid to export trade. While providing a cover against reasonable risk, it will secure the simultaneous benefit of adherence to certain essential standards in the export trade.

HINDUSTAN LEVER

THE SPEECH of Mr. A. J. C. Hoskyns-Abrahall, Chairman, at the annual general meeting of Hindustan Lever Limited is an unvarnished account of the problems and prospects of the Company since it got its new form and new name. It is less than five months since the Unilever offered a part of their shares for sale to the public. In the distribution of profits the earlier forecast has turned conservative but now the revised figures have allowed a higher final dividend of 75 naye paise. Though sales have increased in 1956 achieving a tonnage exceeding 121,000 without including the sale of toilet preparations, profits were not of the order they earned in 1955 due to increase in costs of raw materials, of processing and of freight. Apart from raw materials and transport that are some of the problems that continue to cause difficulties, the Company has also to face the recent tightening of import restrictions. Though some 80 to 90 per cent of the raw materials come from the country, certain "key items" are still imported which, unless continued, would not allow in the maintenance of quality. The Chairman pointed out significantly how some of their products like Glycerine, Vanaspati and soap were useful earners of foreign exchange which he estimated at Rs. 76 lakhs in 1956. In the management of the Company the trend of greater Indianisation was more marked and the number of Europeans has already fallen from a peak of 59 in 1952 to 32, the places of 27 having been taken by Indians. The Hindustan Lever has set a model in Indian participation of capital in a foreign concern of which one can take legitimate pride.

The Company earned a net profit of Rs. 104 lakhs for the year after providing Rs. 120 lakhs for taxation. The Chairman has pointed out how the profits were less than what they earned in 1955 and it is difficult to appreciate how in the absence of a proper base for ploughing back of profits and the necessary incentives, foreign capital can continue to take interest in the development of the economy of this country. This consideration applies with equal force to the domestic private sector also. Hindustan Lever is, however, fortunate in having such an experienced and able Chairman as Mr. Hoskyns-Abrahall to guide its destinies and there is little doubt that under his stewardship, the Company will be able to weather the many difficulties that lie ahead.

CENTRAL BANK'S REMARKABLE STRIDE

FOR THE Central Bank of India, 1956 has turned out to be a year of remarkable progress. The all-round improvement in operations witnessed during the year is reflected in the Bank being able to restore, after four years, the cut in dividend and to double the bonus to staff. The net profit for the year has crossed the Rs. 1-crore mark, again after three years. The increase in earnings was mainly in interest and discount, yet a healthy sign has been that commission and exchange earnings have advanced their contribution by some Rs. 20 lakhs, which may be attributed, to a fair extent, to the establishment of a branch of the Bank in London. Also, as a result of the reorganisation, it has succeeded in effecting savings in expenses. Thus, the ratios of total expenses and of establishment charges to gross profits came down by 5 and 4.5 percentage points during the year. On the other side, the ratio of net profit to gross income has gone up by over 2 percentage points, from 13.53 per cent in 1955 to 15.87 per cent in 1956. The total deposits at Rs. 138 crores show a satisfactory improvement of Rs. 10 crores over the previous year. Advances have climbed by a still higher order of Rs. 18.56 crores, to Rs. 90.76 crores, which is the highest ever touched since the Bank came into being. However, its ratio of advances to deposits kept low at 66 per cent as compared to the average of 71 per cent of all scheduled banks.

Read against the background of the generally hard conditions that banking has had to face during the recent past, this performance assumes more than ordinary significance. It is well known that the demand for accommodation from industry has kept a steady increase which the banks have not been able to meet in a full measure. In order to be as accommodating as possible, there ensued an acute competition for attracting deposits, which led to a general increase in interest rates on both time and call deposits. The working funds, including borrowings from other banks thus cost comparatively more; in the case of the Central Bank, interest paid was up by Rs. 57 lakhs. Further, to meet the conditions of stringency and dearness of finance, the Bank had to reduce, like others, its investment portfolio, by a net amount of Rs. 3.74 crores, reducing the ratio of investment to deposits by 6 percentage points to 38 per cent at the end of the year. The magnitude of the stringency can be imagined from the figures of the outstanding advances and inland and foreign bills of scheduled banks which show an extraordinary rise, during 1956, of Rs. 157 crores to Rs. 788 crores. As against this, time and demand liabilities of banks showed a less than commensurate increase of Rs. 81 crores only. Accordingly, the banks had not only to decrease their cash ratio but also to dispose of some of their security holding. In such a situation, the banks can only hope for a lessening of the inflationary pressures as well as look to the Government for providing them with the necessary funds to enable them to perform their normal functions.

HURDLES TO MINERAL EXPORTS

ALTHOUGH THE high level of economic activity in America, the Continent and Japan contributed to the improvement in demand for Indian minerals the picture was not all rosy in 1956. In his speech at the first annual general meeting of the Western India Minerals Association, the Chairman Mr Natwarlal Shamaldas Worah drew pointed attention to the difficulties plaguing the industry. He was particularly critical of the canalisation of the export trade in manganese and iron ores through the State Trading Corporation.

The Government must partly be blamed for any lapses in export promotion of private interests. One of the main handicaps to the expansion of mineral trade has been the chronic shortage of wagons and the lack of stacking facilities at ports. In fact, the quota system in the allocation of wagons has resulted in a certain dislocation in the movement of ores. Although the State Trading Corporation has been functioning since June 1956 its performance has not been spectacular. No doubt it concluded an agreement with Japanese buyers for the sale of seven million tons of iron ore over the next five years, but the position as regards manganese ore is not encouraging. This is despite the fact that the Corporation had an overall quota of more than 25 per cent of the country's export trade.

The quota system and the export duty which have a restricting influence are anomalous particularly at this time when the Government is trying to do everything possible to enhance exports. India is already losing ground in America and the U.K. due to competition by Brazil and Africa in manganese ore. Brazilian ore is generally preferred in the United States on account of cheaper freight charges. Added to all this are the frequent changes in policy by the Government which are likely to shake the confidence of foreign buyers.

BETTER QUALITY FOR HIDES AND SKINS

AMONG THE products that earn foreign exchange for the country, hides and skins, the total value of the exports of which stood at Rs. 34.28 crores in 1954-55 and Rs. 24.70 crores in 1955-56, occupies an important place. It is possible to recover the ground and improve our earnings of foreign exchange under this head by properly processing half-tanned hides and skins into leathers and leather goods for export. With her enormous livestock wealth, India is certainly very well placed in regard to the growth of the leather industry. What is necessary to accomplish this is to explore the field fully, backed by adequate scientific research in the field of processing, curing, and finishing of raw hides and skins. By doing so, not only would our exports be enlarged but the country's internal requirements of finer leather, which are presently being imported, would also be met by our own efforts. Dealing with the state of leather industry in India, only the other day, Prof. M. S. Thacker, Director-General, Scientific and Industrial Research pointed out that the quality of raw hides and skins was deteriorating gradually and that tanners and tanning technologists had to face the challenge of having to produce good quality leather from bad hides. As he observed, such a situation calls for searching of minds, pooling of thoughts, sharing of ideas and chalking out of a clear-cut co-ordinated programme, and specially so because this is an industry which is not only earning considerable valuable foreign exchange already but has great potentialities for earning more of that precious thing. It is to be hoped that a National Hide Bureau or National Hide Association to advise the public and private industry, as well as the Government, regarding the effective steps to be taken in this regard and improve the quality of hides and skins as suggested by Mr. Thacker will soon come into being and help to solve the pressing problems of the industry.

Company Meetings

THE CENTRAL BANK OF INDIA LIMITED

Speech delivered by Sir Homi Mody, Chairman, at the Forty-Sixth Ordinary General Meeting of the Bank on Thursday the 28th March, 1957.

Ladies and Gentlemen,

I have pleasure in presenting the Directors' Report and Statement of Accounts for the year 1956, but before I deal with them I would like to make a few observations on matters of general interest affecting finance and industry.

The year marked the end of the first Five-Year Plan and the inauguration of the second. Economic conditions in India continued to show the buoyant tone in evidence in the last few years under the impact of progressively increasing development outlay. Industrial production, foreign and domestic trade, money supply and prices recorded sizable increases.

The total money supply with the public, comprising currency and bank deposits, amounted to Rs. 2,178 crores at the end of December 1956, showing an increase of Rs. 131 crores over the corresponding date of the previous year. Due to the money supply outpacing the rise in production levels and economic activity, the Index Number of wholesale prices recorded an increase of 61 points and consumer prices also rose substantially.

A feature of our economy which is causing serious concern is the rapid deterioration that has taken place in our foreign exchange resources. During the 11 months ending with February of this year, the fall in our reserves has reached the alarming figure of Rs. 227 crores. This development was largely unforeseen and, for the moment, it has thrown the second Five-Year Plan out of gear. Against a figure of Rs. 783 crores of imports allowed for in the first year of the Plan, imports have been at the annual rate of Rs. 953 crores. As the Reserve Bank Bulletin for December 1956 says "Whereas the Plan expected the phasing of imports to be such as to lead to a hump in the second and third years of the Plan, it seems that the actual course of events has been such as to give rise to a hump even in the first year of the Plan."

That brings me to a consideration of the second Five-Year Plan. Some of us have from the start criticized the unrealistic targets of investment laid down in the Plan and have pleaded for scaling them down. We have also commented on the inadequacy of the provision for agricultural development and production of consumer goods. In the survey of Asia and the Far East published on the 18th March, by the Economic Commission for Asia and the Far East, three questions have been posed: (1) Whether the Plan is not too ambitious in terms of resources; (2) Whether it assigns too great a share of responsibility to the public sector and too little to the private; and (3) Whether it does not emphasise industries (particularly heavy industries) too much at the cost of agriculture. The Commission have also spoken of the risks in attempting too much too quickly.

In mitigation of the hardships which a Plan of this magnitude might impose on the community, spokesmen of Government have been saying that there would be a process of adjustment from time to time which would take care of any material changes in the situation that might take place. I would like to urge that that is not enough and that what is needed is a reappraisal, here and now, of programmes and policies as a whole. I contend that enough is known, even at this stage, of the resources which could be mobilised for planned economic development in India, and the serious difficulties which have already arisen in the first year of the Plan must be taken as an indication that the projected scheme of development goes beyond the country's capacity to carry it out within the stipulated period. No year to year targets of investment were published when the second Five-Year Plan was originally prepared, but the provision of Rs. 915 crores made for 1957-58 as outlay for the Central and State Governments is such as to suggest that the Government is still largely pursuing the schedule of investment under the original assumptions, even though the working of the first year has proved them to be wide of the mark.

In the light of this trend, the urgency of a reappraisal of the whole position cannot be questioned. The extent to which inflationary finance can be resorted to, taxation can be stepped up, and foreign exchange can be secured, is pretty well known, and it would be very unfortunate if fiscal and other measures were taken at this stage in order to live up to an unrealistic programme of investment. In this connection, I cannot but voice my disappointment at the latest pronouncement of the Finance Minister in Parliament. I hope he will realise that the criticisms advanced on certain aspects of the Plan are neither selfish nor obstructive. The business community has repeatedly and unequivocally recognized the necessity of a planned development of the country and has offered its fullest co-operation. That does not mean, however, that it should not have views of its own regarding priorities and methods, nor that its experience and knowledge in such matters should be impatiently set aside.

1956 was a year of stringency and dearness of finance and the resources of banks had to be strained to the utmost to meet the rapidly expanding demand for funds. The loan-portfolio of banks had to be unduly stretched and they had to depend more and more on the Reserve Bank for assistance.

The outstanding portfolio of advances and inland and foreign bills of the scheduled banks amounted to Rs. 788 crores, showing an abnormal increase of Rs. 157 crores since the end of the previous year. The resources of the banking system did not, however, show a corresponding improvement in as much as, over the same period, demand and time liabilities increased by only Rs. 81 crores to Rs. 1114 crores. The banks, therefore, found it necessary to finance the additional credit requirements both by allowing their cash ratio to come down and by disposing of a portion of their security holding. The most remarkable sign of the pressure on the banks was, however, the increase in the scheduled bank's indebtedness to the Reserve Bank from Rs. 30

crores at the end of 1955 to Rs. 79 crores at the end of 1956. In fact, the volume of debt was not much short of the banks' total cash resources, comprising both till-money and balances with the Reserve Bank. In this context, I may refer to a point mentioned in the White Paper on the Budget that the Reserve Bank had lent a limited support to Government securities in order to relieve the extreme stringency in the money market. This is a move forced by the logic of the situation in which bankers have been placed. It is to be hoped that inflationary pressures would be lessened by a reasonable scaling down of the development outlay which has caused them, but given the situation as it is, official policy must obviously be directed towards providing banks with the funds they need for fulfilling their function as suppliers of credit.

Before leaving the subject of the general banking position in the country, I would refer to an improvement in the published statistics which seems to be called for. Although detailed forms have to be sent in every week by all scheduled banks, up-to-date figures of demand and time deposits, as distinguished from other kinds of demand and time liabilities, are not available. Similarly, loans to trade cannot be distinguished in the statistics from loans from one bank to another. A recent issue of the Tata Quarterly discusses some of these questions, and in view of the importance of these data for assessing monetary trends, I hope that steps will be taken to compile them on a regular basis.

There is one other matter to which I would like to refer before closing this review. The statement recently made at the Annual General Meeting of the State Bank of India that, although the statute authorises its operating as a commercial bank, due regard is to be had to the public interest—and this is interpreted by the Bank to include its obligations to the banking structure as a whole—is indeed refreshing. But this pronouncement cannot quite be reconciled with the reported directives to some of the Government and quasi-public institutions, which had hitherto been depositing a part of their funds with commercial banks, to deposit hereafter all their funds exclusively with the State Bank. I would also like to point out that the measures being taken by the State Bank to increase its working funds and the opening by it of branches in areas adequately served by other institutions cannot but affect the interests of commercial banks.

I shall now turn to matters of more personal interest to the Shareholders—the Directors' Report and Statement of Accounts.

The past year was one of further growth in the resources and earnings of the Bank and in an appreciable expansion in its turn-over of business in general. Our gross earnings, which had received a setback in 1953, have since been progressively increasing, and there was a particularly marked improvement during the past year, which recorded a rise of as much as Rs. 86 lakhs. While Interest and Discount accounted for a major portion of the increase, there was a substantial increase of Rs. 20 lakhs under Commission, Exchange, etc. Of this, a no small part was due to the ground gained by us in foreign exchange since the establishment of our own office in London which, for the first time, was able to contribute its quota to the general profits.

The rates of interest on Time and Call Deposits had to be further stepped up during the year, and working funds, including borrowings from other banks, cost comparatively more, resulting in an increase of Rs. 57 lakhs under Interest paid. With regard to Establishment Charges which apparently show a slight recession, the position is not what a comparison of the figures would indicate. The figures for the previous year included a sum of nearly Rs. 13 lakhs on account of arrears paid on adjustment of staff emoluments, as laid down by the Bank Award Commission. If that is taken into consideration, the establishment charges can be said to have been up by nearly Rs. 12 lakhs. The ratio of total expenses to gross profits stood at 75.24 per cent as against 80.28 per cent in the previous year. The ratio of establishment charges to gross profits similarly came down from 66.06 per cent to 61.55 per cent.

As stated in the earlier part of my speech, increase in the resources of banks lagged far behind the increased demand for credit. Scramble for deposits, therefore, continued to be acute and progressively higher rates had to be paid. In view of these conditions, our total deposits which stood at Rs. 138 crores, showing an improvement of Rs. 10 crores over the previous year, may be considered to be satisfactory.

The increase in the Reserve Bank's lending rate against Government Securities from 3½ per cent to 4 per cent and the rise in the cost of borrowings by Banks against Usance Bills from 3½ per cent to 4 per cent, consequent upon an abnormal raising of the Stamp Duty from the 1st of February, has given further momentum to the upward trend in Deposit rates, which has carried the rate for Call and Time Deposits to as high as 4½ per cent. This cannot but have its repercussions on the rates at which banks can afford to lend.

Advances at Rs. 90.76 crores recorded a substantial increase of Rs. 18.56 crores over the previous year, and constituted the highest level touched by the Bank since its inception. Even so, our ratio of Advances to Deposits was 66 per cent only as against the general average of 71 per cent of all Scheduled Banks.

The continuing credit squeeze compelled us more vigorously to pursue our policy of reducing our Investment Portfolio. The reduction would have been more substantial but for the fact that we had to subscribe to the new Central and State Governmental Loans floated during the year. The net reduction amounted to Rs. 3.74 crores, bringing down our ratio of Investment to Deposits from 44 per cent in 1955 to 38 per cent as at the close of 1956.

The sudden decline in market values just towards the end of the year unfortunately widened the gap between the market value and the book value of our Securities, but since the opening of the current year, there has been a revival in values and the position has improved. In this connection, it is worthy of note that nearly 75 per cent of our investments in Government Securities mature within the next ten years, and a further 22 per cent in the following five years. As pointed out in the past, if we can hold on to our Securities up to maturity, not only would the difference appearing at present be wiped out, but there would accrue a substantial surplus.

Shareholders will have noted with satisfaction that, after a lapse of three years, the net profit figure has again crossed the rupee one crore mark. The ratio of net profit to gross income rose to 15.87 per cent as against 13.53 per cent for the previous year. With the reorganisation that has taken place and the further measures we have in view, we hope to keep up the improvement.

Our profit figures would have been better but for some unfortunate experiences we have had in the last two or three years, and which have emphasised the need for doing everything possible to strengthen our position. In the interests of the Bank, it is obviously undesirable to enter into a discussion of the transactions in question. It will suffice to say, every possible step has been taken by the Board to secure the accounts which were not in order and adequate provision has been made where necessary.

It gives me particular pleasure to record that it has been found possible, as a result of the year's working, to implement the assurances I have been giving in the past. I have stated on more than one occasion that as soon as our earnings warranted it, the cut in the distribution, both to the Shareholders and to the Staff, would be restored to the extent the profits permitted. Nothing has, therefore, given greater satisfaction to the Board than to be in a position to restore, after a lapse of four years, the cut in Dividend and to double the Bonus paid to the Staff. Prevailing trends do not at the moment indicate conditions as favourable for Banks as during the past year, but it is to be hoped that, with the improvement that has taken place in our relations with our Staff and with the Management wholeheartedly devoting itself to the interests of the Bank, the institution will be able to maintain, if not improve upon, the progress shown over the past year. In this connection, I must particularly mention the services of our Vice-Chairman, Mr. C. H. Bhabha. His ability and resourcefulness and the keen interest he has been taking in the day to day working of the Bank are beyond all praise, and I would like to extend to him, on behalf of the Board and the Shareholders, our grateful thanks for all he has been doing.

I would conclude by making our acknowledgements to all who are in the service of the Bank. The General Manager, Mr. N. K. Karanjia, has been carrying a heavy burden, which he has been discharging with ability and singleminded devotion to duty. He has done a great deal for the Bank since he has been placed at the head of the administration and he enjoys the fullest confidence of the Board. To him, to Mr. F. C. Cooper, the Deputy Manager, and to all Members of the Staff at the Head Office and at the Branches, as also to the Local Advisory Committees at the various centres, I would like on behalf of the Shareholders and the Board to convey our warmest appreciation.

Note: This does not purport to be a record of the proceedings of the annual general meeting.

THE WESTERN INDIA MINERALS ASSOCIATION

Speech delivered by Mr. N. S. Worah, Chairman, at the First Annual General Meeting held on 18th March, 1957.

Gentlemen,

I have great pleasure in submitting to you the first report and Accounts of the Western India Minerals Association. Although we held a meeting purporting to be our first annual General Meeting on 28th September, 1955, on account of the fact that our Association was Registered only towards the end of February, 1956, that meeting could not be treated as the Annual General Meeting and accordingly our present meeting is the First Annual General Meeting of the Association. For the reason just mentioned, it was found necessary to bifurcate the accounts of the Association for the period 1st July, 1955 to 28th February, 1956 and for the period 29th February, 1956, to 30th June, 1956.

Before dealing briefly with the activities of the Association during the period under review, it would, I think, be appropriate to consider the international situation in so far it affects the Minerals with which most of our Members deal. Although it was hoped some time back that there would be an improvement in the international situation, the recent events have belied this hope and consequently the situation, although by no means dangerous, still continues to be very unsatisfactory. The extremely high level of economic activity in America and on the Continent of Europe as also in Japan, the principal consuming countries for these products, has, I believe, contributed to the improvement in the demand and consequently the price, particularly for Manganese ore which continued to persist not only throughout the period under review but during the latter half of 1956.

Although the sudden decision of the Government of India to canalise progressively exports of Manganese ore through the State Trading Corporation as announced in the Press Note dated the 22nd of June, 1956, was made towards the end of the Association's financial year, and consequently there is very little to comment upon, I think it is my duty to review the present unsatisfactory situation obtaining in the Mineral Trade, which, as all of you know has been brought about on account of this very policy. The argument that has been advanced in justification of the Government's decision to enter the Mineral Trade is that the Mining Industry has not had scope for development along sound lines and that it is necessary for the Government to play a more positive role by reorientating the trade in ores on more rational lines and thus increasing exports and, with this object, to canalise exports through the State Trading Corporation. I am sorry that this argument of Government does not carry any conviction when the only handicap which was proving as an impediment for the expansion of the Mineral Trade, such as Manganese and Iron ore have been the chronic shortage of wagons, the allotment of which is controlled entirely by Government. Despite repeated requests to the Railway Board as well as to the Railway Ministry to allot more wagons to the Manganese ore trade, the actual allotments of wagons have been very unsatisfactory. Hence it will be appreciated that if it was not possible for the exporters to reach the export target, the responsibility for this state of affairs is entirely that of the Railway Ministry.

It is true that the Mining Industry has been experiencing several other handicaps also which have prevented a greater expansion in production and export of Manganese ore but most of these handicaps could be removed only by Government action, such as augmenting the available supply of wagons, improving road

transport from mines to railheads, expanding and improving rail and stacking facilities at the port etc. It would, therefore, have been more appropriate for Government first to remove all these handicaps and find out whether the Industry and Trade still failed to come up to its expectations. Instead of doing so, however, Government, decided to enter the trade itself through the State Trading Corporation. While we have no quarrel with Government, so far as its desire to trade in Manganese and Iron ore is concerned, I think I am voicing the feelings of all of you when I say that on account of the very peculiar and highly technical nature of this trade, coupled with the fact that the fortunes of this trade depend entirely on the degree and tempo of industrialisation taking place in some of the world's foremost Steel making countries, like the U.S.A., the U.K., the Continent and Japan, this trade can be handled more efficiently by Traders in the Private Sector and not by a Government organisation such as the State Trading Corporation. In view of the very wide fluctuation in the prices of Manganese ore, which this material is subject to, I would appeal to Government to be extremely cautious in their dealings with foreign buyers, as whatever policy is ultimately decided upon, the guiding principle should mainly be, that the traditional markets for Indian Manganese ore are not lost to the Country.

The reason which prompted me to make the above remark, as you all know, is the alarming reports which we have been receiving of late about the reported arrivals in America of huge quantities of Manganese ore from the newly found deposits in the Amapa district of Brazil, which is likely to prove itself to be our main competitor in the American Manganese Market. Buyers in America have been complaining lately that on account of the numerous and sudden changes in Government's export Policy, particularly the introduction of Movement and Export Quotas, imposition of an Export duty, etc. they have been finding it difficult to calculate the "all-in" delivered cost of Indian ore at any given time. Consequently, I am sorry to say that the confidence of foreign buyers in the ability of Indian Exporters to fulfil their commitments is considerably shaken. I would, therefore, request Government to take immediate measures to ractify this situation which would no doubt create the necessary atmosphere for increasing the Country's mineral output and subsequent export, resulting in an increase in the earning of the much needed foreign exchange which is so very essential for the success of the second Five-Year Plan.

It was no doubt the intention of Government to help the Industry and Trade to secure enough wagons when they introduced the new movement quota system, which, while regularised the ore traffic in the beginnig to a certain extent on some of the difficult sectors, the same cannot be said on other sectors where wagon position had been easier and where, subsequent to the introduction of this system the situation has deteriorated considerably, i.e., even though wagons could be had just for the asking, the same cannot now be secured for want of movement quotas. In fact, at present the working of the movement quota system has resulted in complete confusion. There has been, on several Railway sectors, over-issue of movement quotas much in excess of the actual rail movement capacity of such sectors. This has affected adversely shipment programmes. Similarly is the case with regard to exports. Even if Exporters have sufficient quantities of ore at the Docks, the same, however, cannot be shipped for want of Export quotas. At a time when Government, through its Export Promotion Council and other Agencies, is out to improve in every respect the export potentiality of the Country with a view to earning more foreign exchange, one fails to understand the logic underlying the continuation of the Quota System in the Mineral Trade, which definitely is having a constructing influence on the Country's Export Trade, particularly at a time when the Indian manganese ore Trade is facing serious competition from producers in Brazil and Africa.

In view of the above and the fact that there is already a tendency for the Manganese price to sag, I would appeal to Government to take immediate and effective remedial steps with a view to meeting the serious situation created by the incursion of Brazilian are into the American market where buyers find this ore to be preferable not only from the defence point of view but also on account of the shorter lead and consequent cheaper steamer freight as compared to ores from India.

On this occasion it is my duty to speak a few words about the activities of the State Trading Corporation in so far as it concerns the country's mineral Trade. Although the State Trading Corporation has, as reported, concluded an agreement with Japanese buyers for the sale of 7 million tons of Iron ore for delivery over the next five years, the position as regards manganese ore is concerned is, I should say, not very encouraging. Although the State Trading Corporation entered the field of the Mineral Trade in June 1956, it is reported that even as late as December 1956, they were not able to ship even a negligible quantity of Manganese ore despite the fact that they secured for themselves an overall quota of more than 25 per cent of the country's Manganese ore export trade. I am constrained to say that no definite policy has been evolved so far and consequently the sales and purchases effected by this body has been on an unscientific basis resulting in a certain amount of uncertainty and anxiety among the Mineowers and the Exporters as they are prevented from planning their future production and development as well as export programmes

In the light of my above remarks, I would request Government to take the following remedial measures in the interests of the Country's Mineral Industry and trade which would assist the Trade to regain its competitive strength, in the world market.

(1) That Government should either abolish the Quota System (both Movement & Export) completely or increase the quantum of Export and movement quotas or the entire quota system should be so altered and liberalised as to permit shipments freely by adopting the policy which was in existence before the introduction of the quota system, when free movement was allowed.

(2) The Export duty which is being levied at present on Manganese ore should be abolished completely, as apart from the irritation which this levy causes to Buyers Overseas, there is also the fact that it acts as a hidden subsidy to other Manganese producing countries.

(3) The ambiguity and uncertainties prevailing in grant of mining leases and Prospecting Licenses for Manganese and Iron ore should be removed forthwith and prospecting licences and Mining leases for these minerals should be granted liberally and expeditiously.

(4) The next export policy which it has been promised would be announced during the course of this month should be for a period of at least three years as against the present one year period which is too short for a trade such as Manganese and Iron ore, as it is customary and incidentally beneficial, for both the exporters and buyers to enter into long term arrangements. This policy is quite essential from the Mineowners' point of view also as it enables them to plan production in advance of actual demand.

You will all be pleased to learn that our popular Commerce & Industry Minister Shri Morarji Desai has very kindly agreed at our request to meet a deputation of All-India Minerals Association's Working Committee at Delhi, on the 21st instant when we expect to put forward our view points and the difficulties confronting the Mineral Trade and Industry which would help Government in formulating their future mineral policy.

HINDUSTAN LEVER LIMITED

Speech of the Chairman at the Annual General Meeting

The Annual General Meeting of Hindustan Lever Limited was held in Bombay on April 4, 1957. The following is the text of the speech made at the meeting by the Chairman, Mr. A. J. C. Hoskyns-Abrahall.

It gives me great pleasure to welcome our new shareholders to this Annual General Meeting of our Company in its new form and under its new name. The report and accounts have been in your hands for some days and by your leave I will take them as read.

Less than five months have passed since we announced Unilever Ltd.'s intention to offer a part of our shares for sale to the public. At that time we made certain forecasts about our business and expressed certain intentions about the distribution of our profits. In the short time that has elapsed since then there has been no sudden boom in our business or any sort of windfall, but our final figures, as you will have seen, have shown our earlier forecast to have been somewhat conservative. We are therefore, recommending to you a higher final dividend of 75 naye paise, at the same time coupling with that recommendation the caution that our outlook and policy have not thereby undergone any essential change. In the light of recent events we would not like you to build up any great expectations that future dividends will be higher than we forecast those few months ago.

In this connection I would remind you that the ink on our Offer for Sale documents was barely dry and the lists had not even been opened, when the Finance Minister sprang his surprise interim Budget on the country, with its capital gains tax, its lengthened scale of supertax on dividends and its compulsory depositing of a large part of companies' reserves. Moreover the Minister has also thought it right to tell us that, in seeking finance for the second Five-Year Plan, he has by no means yet exploited corporate taxation to the full. In this sort of context I feel bound to say that, however, much we may be able to increase our sales turnover in the future, it does not necessarily follow that there will be a commensurate, if indeed any, benefit to our shareholders. The development of this country costs money, a lot of money, and the private investor will continue to be called upon to pay his share by way of taxes. How much that share will eventually be we cannot know, it is not likely to be small.

We did in fact increase our sales in 1956, achieving a tonnage exceeding 121,000 without including the sale of toilet preparations, in which section were tonnage is not a very suitable measure. That our profits were not quite of the order of those we earned in 1955 was mainly due to increases in costs of our raw materials of processing and of freight.

We are far from complacent about this upward trend in costs, which seems to be fairly general among household necessities, or near necessities, into which class our products fall. In a community embracing so many people with very low incomes, our products run the risk of being too highly priced, whether for the consumers' good or our own, and we should greatly like to make reductions, with all the stimulus they would give to increases in consumption. Unfortunately the prerequisites are lacking. We are vitally interested for instance in Government's second Plan target of more than 7½ million tons of oilseeds, representing a 30 per cent increase in production. That oilseeds, and particularly groundnuts, should be freely available at moderate prices is of prime importance to our business, to say nothing of its significance for export and foreign exchange purposes, but we cannot yet detect any great progress being made towards hitting the target.. Transport is another vital sphere where unrestricted availability at moderate prices is essential, but at present its inadequacy is constantly giving rise to costly delays and, on the top of that, freight rates are tending to increase. These are but two indications of what I have said is a general trend.

While the rising national income will generally be absorbing some of the shock of higher prices, we do of course provide what counterblast we can in our own operations. Through nearly all the media we use, we are adding to our normal advertising efforts a steadily mounting educational service, by which habit-forming instruction in better washing and cooking methods is imparted to the public. In the countryside particularly our large and still growing fleet of demonstration, cinema and other vans is carrying this service farther afield every year.

Another matter affecting us is the recent tightening of import restrictions and some of you may well be asking to what extent we rely on imported materials for the pursuit of our business. You will already know that we find between 80 and 90 per cent of our raw materials from within this country, since that fact was stated in our Offer for Sale. That does not mean however that there are not certain key items, some perfume ingredients for instance and certain chemicals imported by us, without which—although they may be small in volume—we should be unable to maintain the quality, or what you might call the personality, of our products. We hope to be allowed to continue to import such items as being actual users of them, but of that we cannot yet be sure. It is hardly necessary to say, that such changes as we are powerless to avoid we shall seek all means to mitigate, and we do not expect to have to ask our consumers to accustom themselves to any serious departure from our normal products. You should know moreover that as exporters we are already useful earners of that scarce and greatly sought after commodity, foreign exchange. In 1956 our exports of Glycerine, Vanaspati and Soap were worth rather more than Rs. 76 lakhs, and they went to places as far apart as New York and Fiji with many destinations in be-

tween. When we seek to make imports, our record as exporters should be allowed to stand to our credit.

It is however, and has long been, our policy to buy Indian materials so far as we possibly can. In the past few years we have been encouraging with some success the local manufacture of items which previously were imported. Bleaching earth, paper and board are recent instances, where we have been able increasingly to switch our buying from foreign to local sources. We are also increasingly relying on Indian sources for the management of the business. It may interest you to know that from a peak of 59 in 1952 the number of Europeans we employ has already fallen to 32, the places of the 27 who have gone having been taken by Indians. This trend extends throughout our business whether it be in the marketing, commercial or technical sections.

Our staff have worked well throughout the year. We are glad to say that we have signed a comprehensive agreement with our Bombay factory employees covering the whole period of the second Five-Year Plan. It embraces wages, bonus and retirement provisions for about half our employees, as well as production incentives. A similar agreement with the rest of our employees all over India is now on the point of being signed and we therefore have good reason to look forward to a period of steady consolidation of the goodwill already existing on both sides.

While on this subject, I might add that we try to look after the welfare of our employees, not only by giving them congenial working conditions, but more particularly by providing them with good medical services and good factory canteens. We have canteens in all our factories except the one at Shamnagar near Calcutta and there a newly built canteen is due to be opened ten days from now. Moreover we are not satisfied with our Bombay Soap Factory in this respect and propose to build there a new canteen at a cost of about Rs. 6 lakhs, as soon as we can finalise our plans and secure the necessary cement and steel. Providing this facility for our office staffs is by no means an easy matter, but we propose to include a modern canteen with recreational facilities in the new Bombay Office building, on which we hope to start work this year. So far as medical services are concerned, we have full-time doctors and nursing sisters on the staff in our Bombay and Calcutta factories, while in our smaller factories we have part-time doctors who attend daily and full-time dispenser-dressers. All factories have consulting rooms and properly equipped dispensaries. Arrangements to deal with medical emergencies occuring outside general duty hours vary from place to place; in Bombay factory we have dispenser-dressers on duty in all shifts; in our other factories we have staff specially trained in first-aid. In our offices we have arrangements for doctors to be on part-time duty or we pay them retainers, so that facilities for free consultation and treatment are available to the employees concerned. In the past few years these medical services have generally, and particularly in Bombay, reduced the time lost through illness and accident.

I would like to end this review by giving you one good reason why this business should continue to expand, lest you should think that I have listed difficulties but little else and hear little but the rattle of chains. We are in fact conducting our operations in a rapidly developing country, inhabited by something approaching 400 million people, who by modern standards consume per head so little of the sort of products we manufacture, that an immeasurably greater consumption is bound to come. Moreover it is entirely for the good of the country that it should come. On this satisfactory base we expect to go on building. As for the difficulties, they are or are likely to be largely of a type common to most consumer industries at the present time, and it is probably fair to say that our business is as well equipped as most others to meet their challenge.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

(Continued from page 536)

evil. That there was scarcity of quality cotton was amply demonstrated by the fact that there were only 2,150 bales even when the Jarilla March 1956 delivery Contract went off the board, as against as many as 5,950 bales in the February 1955 Contract. The recent raising of the margin, which sought to prevent the rising trend in cotton prices only brought about a fall in the number of bulls who had a firm grip over the market; such of the bulls as did not feel up to paying higher margins faded out, thereby making the job of rigging up the market easy for those that remained. In other words, the remedy hardly worked, which perhaps explains the more drastic — or is it desperate, — measure adopted since.

Now, it has been decided to requisition cotton from all stockists so that it could be distributed among the needy at fair prices. It must be presumed that such a step applies to all cotton stockists, whether they are in Bombay or elsewhere in the country; otherwise, the charge of discrimination might be laid at the doors of the authorities. In any case, to determine the stock of cotton of every individual or class of individuals all over the country is not a joke; must less so is the determination of a fair price and the equitable distribution of cotton among those who are actually in need of it for the purpose of consumption and not for speculation as understood by the powers that be.

All these clearly point to one thing, namely, that, unless there is a complete reorientation of the Government's cotton policy — with particular reference to the release of export quota only after the crop position is determined fairly accurately, as pointed out by Sir J. C. Burns, the retiring Chief of the Millowners' Association, Bombay, at its last annual meeting and a close watch is maintained of the day-to-day price trend in the market, with a view promptly to taking effective steps and nipping in the bud any unwholesome development, the current Vijay April Contract also will raise a similar problem of undue price appreciation as and when it approaches maturity and perhaps lead the Government once again to take similar despate measures. However, drastic these measures may be, if past experience is any guide, rather lay the axe to the root of the trouble, they only serve to precipitate a crisis.

THE AMALGAMATED ELECTRICITY CO., LTD.

The Registers of Members and Transfer Books of the Company will be closed from 12th to 19th April, 1957, both days inclusive in connection with Interim Dividend for the half year ended 30th September, 1956, payable on or after 20th April, 1957.

By Order of the Board,

THE AMALGAMATED ELECTRICITY CO., LTD.

N. C. JAVERI,

Director.

BOMBAY,

30th March, 1957.

COMMODITY NEWS AND NOTES

KHARIF PRODUCTION OF SMALL MILLETS

The All-India Second Estimate of small millets for 1956-57 puts the current year's area and production at 11,527,000 acres (Kharif and Rabi) and 1,728,000 tons (Kharif only) as against the corresponding adjusted estimate of 11,535,000 acres (Kharif and Rabi) and 1,601,000 tons (Kharif only) respectively for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows a negligible decline of 8,000 acres or 0.1 per cent in area (Kharif and Rabi) and an increase of 127,000 tons or 7.4 per cent in production (Kharif) during the current year as compared to the previous year. There is only a nominal fall in area under Small Millets this year as compared to last year. The decline recorded in Madhya Pradesh, Andhra Pradesh and Mysore has largely been offset by increases in Uttar Pradesh, Bihar and Rajasthan.

EXPORT PRICE OF TEA

The Government of India has issued a notification fixing the price of tea for the purpose of determining the export duty at Rs. 2.74 per pound as against Rs. 3.38 per pound in force from March 1, 1952. There is no change in the existing rate of duty of naya paisa 37.50 per pound, the Ministry of Commerce and Consumer Industries has announced.

EXPORT OF RICE PRODUCTS

A limited quota of rice products, viz. parched rice (murmura) ground parched rice (sattu) parched paddy or puffed rice (khoel) and beaten rice (Chura) will be released for export up to the end of June, 1957 or till the ceiling is reached, whichever is earlier according to an export trade control notice issued recently.

IRON ORE FIELD IN SIBERIA

The Soviet Union has claimed the discovery of the world's largest iron ore field in the Tomsk region of West Siberia. The ore was found during the oil drilling operations. The "Tass" agency quoted Mr. Y. B. Golul—Chief Geologist of the Urals and Siberia, as saying the ore had a 36 per cent iron content and the deposits were "the biggest in the world running into tens of billions of tons."

CEMENT PACKING CHARGES REVISED

The packing charges for cement for the next quarter commencing from April 1, 1957 have been fixed at Rs. 13.44 per ton. The Government of India has informed all the State Governments of the revised packing charges. The packing charges for the current quarter were fixed at Rs. 13.2 per ton

PRODUCTION OF SUGAR

Sugar production in India this year is expected to touch the record figure of 20 lakh tons, according to the annual report of the Indian Central Sugarcane Committee. The report, which covers the period, 1955-56 records an all-round increase during the year; production, acreage and supply of cane to factories showed a rising trend. The total quantity of sugar produced was 18.6 lakh tons—an excess of 0.6 lakh tons over the target fixed in the first Five-Year Plan.

The Government of India has released a further quantity of 1.67 lakh tons sugar for free sale according to a press note issued by the Ministry of Food. This brings up the total releases so far made out of 1956-57 production to 5.88 lakh tons which include 0.46 lakh tons released for export.

DEVELOPMENT OF SUGARCANE

Several schemes for the development of sugarcane were sanctioned at the 23rd meeting of the Indian Central Sugarcane Committee held recently. Important among the schemes sanctioned related to all-India cane crop competitions, campaign against Gurdaspur borer in Punjab and red rot eradication in Bihar. The Committee also sanctioned schemes for the testing of cane crushers in India and for publication of brochures on different methods of manufacture of gur and khandsari.

US MACHINERY EXPORTS UP

Exports of US heavy machinery in 1956 showed an increase of 22 per cent over the previous year. The Machinery Institute has suggested that the principal factor in the increase was the rise in economic activity in Canada and in Australia and other parts of the Far East. The biggest increase was in exports of construction and mining machinery which rose by 47 per cent compared with 1955. After allowing for price increases, exports by physical volume rose by 33 per cent.

PRODUCTION OF NORWEGIAN WHALE OIL

The nine Norwegian expeditions taking part in this year's pelagic whaling season in the Antarctic produced a total of 855,489 barrels of whale oil or 30 per cent more than last year's total production of 654,348 barrels.

UK's PLACE AS COTTON EXPORTER

Lancashire dropped from third to fourth place in the table of the world's major exporters of cotton cloth in 1956. Japan took first place with exports totalling 1,226 million square yards followed by India with 740 million yards, according to an announcement by the Manchester Cotton Board.

SHREE KRISHNA GYANODAY SUGAR LIMITED.

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at Dalmianagar on Tuesday the 30th April, 1957 at 11.30 A.M., to transact the following business:

1. To receive and adopt the Directors' Report and the Audited-Accounts of the Company for the year ended 31st July, 1956.
2. To declare dividends (free of Income-tax) at Rs. 6¼- per share on 'A' Class Preference Shares, Rs. 5¼- per share on 'B' Class Preference Shares and Re. 1¼ per Ordinary Share (existing on the 31st July, 1956) for the year ended July, 1956.
3. To elect a Director in place of the retiring Director. Shri M. R. Sonthalia who retires by rotation under Article 106 of the Articles of Association of the Company, being eligible, offers himself for re-election.
4. To appoint Auditors for the current year and to fix their remuneration. Messrs. Singhi & Co., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.
5. Any other business that under the Articles of Association of the Company may be transacted at an Annual General Meeting.

The share Transfer Books of the Company will remain closed from 24th April, 1957, to 30th April, 1957, both days inclusive.

DALMIANAGAR,
The 4th April, 1957.

N.B. 1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a member.

2. Payment of dividend when declared will be made only to those members whose names are registered in the books of the Company on the 30th April, 1957, or to the mandatees.

A Letter to the Editor

THE CONGRESS IN KERALA

Sir,

Your leading article on "THE ELECTIONS AND AFTER" in your latest number of March 29 is basically correct, except in the matter of Kerala. The defeat of the Congress in Kerala and the consequent victory of the Communist Party was no surprise to anybody in Kerala, not even the local Congress leadership. In their anxiety to retain power exclusively in their hands, these leaders did not care to view the prospects objectively. It is not so much the error of the Congress strategy as you write, but it is the lack of integrity of the leadership that has been responsible for this great debacle. Nor do I think that Mr. S. K. Patil's preoccupation with Mr V. K. Krishna Menon's election in a Bombay constituency had much to do with this Congress failure in Kerala. As one of the intelligent observers, Mr. S. K. Patil, after his visit to Kerala, is believed to have reported to the Congress High Command that he was quite confident of getting a thumping majority for the Congress if only some of the candidates against whom corruption has been alleged by responsible persons of Kerala, could stand aside and desirable candidates put up in their place. This proposal was turned down as the High Command took the advice from one of their General Secretaries who hails from Kerala who, perhaps, more than anybody else, was responsible for the political neglect and bad administration of the old Travancore-Cochin State. This gentleman, supported by his clever former Chief Minister Panampally, wanted to retain power in his own hands and did not desire to bring in the so-called Congress Rebel Group to the fold, fearing that it might take away power from the present leadership. When Mr Patil's proposal was turned down, he naturally lost all interest in the Kerala Elections and the old clique had the full support of the Congress High Command and the inevitable result was no secret to anybody in that part of India. This fact was clearly presented by the Congress Members of Parliament to the Leader, the Congress President and others at the Party Meetings recently held in the Central Hall of the Lok Sabha. I want to make it abundantly clear that Kerala today is not a Communist State even though the administration has fallen into their hands. The Communists have come to power not only with a minority vote in a State where by far the large majority of the voters are at heart anti-Communists. Even the constituencies which are controlled by Christian votes have returned Communists on account of their disgust with the power politics of the present leaders.

Even though, as you say, the Congress failure has produced results that are likely to have serious psychological consequences abroad, if it brings home to the Congress High Command the real situation in the problem State and makes them wiser, this rude shock can serve as a blessing in disguise. If they would spend sufficient thought on this writing on the wall and take adequate steps to dismiss the present leadership and constitute a new K.P.C.C. where the top qualification for members should be integrity, the Kerala defeat will help to lengthen the Congress Government in India not only in the States, but in the Centre as well.

Yours faithfully,

A Congress M.P. from Kerala.

TRIVANDRUM,
4th April, 1957.

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CENSUS OF MANUFACTURING INDUSTRIES

Jute Textiles—1954

Items		West Bengal	Andhra	Uttar Pradesh	Bihar and Madhya Pradesh	Total
1. **Number of factories employing 20 or more workers on any day and using power—**						
(a) In existence		97	4	3	4	108
(b) From which returns were received		94	4	3	3	104
(c) Percentage of (b) to (a)		97	100	100	75	96
2. Average number of days worked		276	301	281	301	278
3. **Productive Capital employed—**						
(a) **Fixed Capital—**						
(i) Land	Rs.	2,83,38,010	1,67,575	1,12,476	75,021	2,86,93,082
(ii) Buildings	Rs.	9,83,86,167	4,07,517	19,20,224	13,26,135	10,20,40,043
(iii) Plant and machinery	Rs.	16,34,28,493	24,48,513	16,35,753	18,03,689	16,93,16,448
(iv) Other fixed assets	Rs.	1,11,32,567	96,054	3,90,923	1,02,602	1,17,22,146
TOTAL	Rs.	30,12,85,237	31,19,659	40,59,376	33,07,447	31,17,71,719
(b) **Working Capital—**						
(i) Stocks of raw materials	Rs.	18,89,10,019	69,36,591	38,03,525	23,24,292	20,19,74,427
(ii) Stocks of finished products and by products	Rs.	6,12,30,890	22,01,128	24,34,898	23,94,538	6,82,61,454
(iii) Semi-finished products in stock or in process	Rs.	1,69,10,995	3,61,785	5,60,172	1,27,787	1,79,60,739
(iv) Cash in hand and at the banks	Rs.	4,74,74,869	22,11,482	2,62,310	1,17,226	5,00,65,887
TOTAL	Rs.	31,45,26,773	1,17,10,986	70,60,905	49,63,843	33,82,62,507
TOTAL PRODUCTIVE CAPITAL	Rs.	61,58,12,010	1,48,30,645	1,11,20,281	32,71,290	65,00,34,226
4. **Number of persons employed—**						
(a) Workers		237,816	5,733	5,874	3,677	253,140
(b) Persons other than workers		15,563	365	216	274	16,418
TOTAL		253,379	6,138	6,090	3,951	269,558
5. **Salaries and wages paid—**	Rs.	22,91,12,804	53,73,786	48,02,500	31,56,839	24,24,45,929
(a) Workers	Rs.	3,58,80,889	6,31,693	6,15,878	4,63,357	3,75,91,817
(b) Persons other than workers	Rs.	48,63,313	8,937	2,51,012	2,14,285	53,37,547
(c) Money value of other benefits or privileges						
TOTAL	Rs.	26,98,57,006	60,14,416	56,69,390	38,34,481	28,53,75,293
6. **Fuels, Electricity, Lubricants, etc., consumed—**						
(a) **Quantity—**						
(i) Coal	Ton	409,475	11,503	5,601	18,968	445,547
(ii) Electricity	K.W.H.	284,633,851	5,286,162	8,495,929	..	298,415,942
(iii) Lubricating oils	Gallon	926,869	21,711	27,121	20,082	995,783
(b) **Value—**						
(i) Coal	Rs.	96,71,990	3,61,544	1,73,992	5,34,266	1,07,41,792
(ii) Electricity	Rs.	1,14,55,780	4,02,589	6,58,224	..	1,25,16,593
(iii) Lubricating oils	Rs.	24,53,116	65,361	89,910	67,406	26,75,793
(iv) Others	Rs.	5,31,684	8,483	25,629	30,221	5,96,017
TOTAL	Rs.	2,41,12,570	8,37,977	9,47,755	6,31,893	2,65,30,195
7. **Materials consumed—**						
(a) **Quantity—**						
(i) Jute	Ton	935,571	26,996	19,168	12,496	994,231
(ii) Yarn and twist	Ton	1,701	..	..	N	1,701
(iii) Cotton selvedge yarn	Ton	919	3	8	..	930
(iv) Batching oil	Gallon	15,860,024	378,827	268,797	233,716	16,741,364
(v) Bobbins	Gross	30,825	1,048	875	1,089	33,837
(b) **Value—**						
(i) Jute	Rs.	64,90,01,365	1,70,40,713	1,36,93,303	80,09,510	68,77,44,891
(ii) Yarn and twist	Rs.	17,67,420	..	..	630	17,68,050
(iii) Cotton selvedge yarn	Rs.	44,47,900	16,172	27,528	..	44,91,600
(iv) Batching oil	Rs.	1,78,35,582	4,88,310	3,63,229	3,08,472	1,89,95,593
(v) Bobbins	Rs.	24,37,583	93,460	51,832	77,834	26,60,709
(vi) Others	Rs.	5,17,30,572	13,43,549	16,84,284	5,92,924	5,53,51,329
TOTAL	Rs.	72,72,20,422	1,89,82,204	1,58,20,176	89,89,370	77,10,12,172

CENSUS OF MANUFACTURING INDUSTRIES—(Contd.)

Jute Textiles—1954

Items		West Bengal	Andhra	Uttar Pradesh	Bihar and Madhya Pradesh	Total
8. Amount paid to other concerns for work done for factory	Rs.	8,12,564	..	..	..	8,12,564
9. **Products—**						
(a) **Quantity—**						
(i) Yarn and twist	Ton	7,228	2,963	..	3	10,194
(ii) Canvas	Ton	2,313	..	..	..	2,313
(iii) **Hessian—**						
1. Cloth	Ton	361,026	2,149	3,454	101	366,730
2. Bags	Ton	25,738	..	26	..	25,764
TOTAL	Ton	386,764	2,149	3,480	101	392,494
(iv) **Sacking—**						
1. Cloth	Ton	25,663	80	73	N	25,816
2. Bags	Ton	429,478	20,301	14,970	11,833	476,582
TOTAL	Ton	455,141	20,043	15,043	11,833	502,398
(v) Twine	Ton	14,642	471	82	31	226
(vi) Carpet	Sq. Yd.	1,109,209	..	..	..	1,109,209
(vii) Cotton bagging cloth	Ton	32,113	..	..	..	52,[illegible]
(viii) Webbing	Ton	2,646	..	..	..	2,646
(ix) Other jute manufactures	Ton	2,946	45	..	..	2,991
TOTAL*	Ton	903,793	26,009	18,605	11,968	960,375
(a) **Value—**						
(i) Yarn and twist	Rs.	78,42,851	32,76,798	..	2,765	1,11,[illegible]
(ii) Canvas	Rs.	48,34,338	..	..	..	48,3[illegible]
(iii) **Hessian—**						
1. Cloth	Rs.	57,48,99,642	33,82,947	51,86,759	1,50,984	58,36,[illegible]
2. Bags	Rs.	3,85,31,222	..	38,583	..	3,85,69,80[illegible]
(iv) **Sacking—**						
1. Cloth	Rs.	2,80,20,478	91,352	84,532	576	2,81 [illegible]
2. Bags	Rs.	46,46,93,066	2,26,46,739	1,74,13,991	1,31,37,342	51,78 [illegible]
(v) Twine	Rs.	1,70,84,585	5,44,851	93,393	35,779	1,7[illegible] 8,608
(vi) Carpet	Rs.	18,46,661	..	..	..	18,46,661
(vii) Cotton bagging cloth	Rs.	1,98,63,608	..	..	..	1,98,63,608
(viii) Webbing	Rs.	56,34,447	..	..	..	56,34,447
(ix) Other jute manufactures	Rs.	74,75,683	46,155	..	..	75,21,838
(x) Other products	Rs.	11,63,163	220	9,81,077	..	21,44,460
TOTAL	Rs.	1,17,18,89,744	2,99,89,062	2,37,98,335	1,33,27,446	1,23,90,04,587
10. Amount received from others for work done for them	Rs.	12,895	..	..	..	12,895
11. **Value added by manufacture—**						
(i) **Ex-factory** value of products and work done for customers	Rs.	1,15,96,77,284	2,98,29,935	2,37,10,422	1,33,27,446	1,22,65,45,087
(ii) Value at factory of materials, fuels, etc., consumed and work done for factory by other concerns (including the value of semi-finished products or finished parts manufactured earlier but consumed during the year)	Rs.	75,34,64,882	1,98,88,795	1,66,92,222	96,32,887	79,96,78,786
(iii) Depreciation	Rs.	1,70,27,257	1,97,535	2,33,969	1,98,721	1,76,57,482
(iv) Value added by manufacture [i-(ii+iii)]	Rs.	38,91,85,145	97,43,605	67,84,231	34,95,838	40,92,0[illegible] 19

*Excludes quantity of carpet reported in Sq. Yd.

N.B.—Complete and detailed figures will be published in due course in the Report of the Ninth Census of Indian Manufactures, 1954.

Source: The Directorate of Industrial Statistics, Calcutta.

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The Politics of the States

FOLLOWING fast on the exhilarating experience of the General Elections comes the sobering knowledge of the factious spirit in which Ministry-making in the States has had to proceed. Faction is no new thing in the Congress Party; that the age-old rivalry between Mr. S. K. Sinha and Mr. A. N. Sinha in Bihar, which had defaced that State's politics since Independence, was still alive was also known. But no friend of the Congress Party in his most

pessimistic moments would have thought that it would be necessary for members of the Congress Assembly Party in Bihar to cast their votes for a leader in ballot boxes which—for fear of disturbance to the public peace—would need to be carried to, and counted in, Delhi. The Congress Party has rebuked itself intensely by this public demonstration of its internal acrimonies. Nor can a ballot-box in Delhi or elsewhere set at rest a deep disease within the soul. The fact that the Chief Minister of Bihar has now been chosen and will presumably include his rival in the Ministry does nothing to detract from the point that the core of the Congress Party in Bihar has a disease far deeper than either its critics or its friends have been willing to claim.

Thus it comes about that, soon after the General Elections when the Congress Party at the Centre could view its ascendancy for another five years with considerable satisfaction, there has descended on many careful observers within the Party the profoundest gloom. It is right that the bitter politics of the States should be seen in their true perspective. In most States of the Indian Union leaders have been chosen unanimously, and there is no indication at present that they will not receive loyal, and even dedicated, support. But what has happened in Rajasthan and Bihar has proved so melancholy that one can reserve doubts even on the indications behind a unanimous election. It is quite clear that the struggle for power in the States is deep even when it is invisible.

This, and no other, is the challenge to the Congress Party in the States at the present time It needs to be protected from within more than from without, in spite of the fact that it has lost one State and is dangerously near losing another. The strength of a political party is often to be found more in invisible bonds, like dedication and character, than in the happy accidents which make success at the polls. It would, of course, be foolish to expect that the passionate dedication of the Indian Revolution should last much beyond a decade after Independence. It is not in the nature of men to remain for this length of time in a state of animation, unless there is a sense of spiritual mission or a deep continuous challenge to the innermost core in heart and mind. The Congress Party, after the passing of Gandhi, has lost its sense of spiritual mission; apparently it is now losing its sense of challenge which, in the age of planning, it might well have found in other terms. How deep the loss has been in the short period it is difficult to say, but almost nobody, who has seen in recent months the scramble for Congress tickets or the petty search for office and power, can be very hopeful. There is justification enough for the growth of gloom in the Congress Party at the moment of its apparently overwhelming victory.

Now that economic pressures are producing this challenge alongside the political strain which has just been experienced, one wonders whether the Governments of the States will be equal to the exacting demands of the second Five-Year Plan in this severely exacting second year of challenge. If the Centre—which is still firmly held under the all-embracing mantle of the Prime Minister—needs to pause for breath, what can be said of the States in which neither character nor cohesion can be measured in like terms? Almost certainly the real test of the Indian nation will be found this year in the States. Will they be willing, now that the hustings have been removed to a distance, to tax themselves for the purpose of the Plan, according to the broad principles which were accepted when the Plan was framed? Should they fail, will the Centre use both its political and economic pressures to insist that the excessive strain which the Centre is bearing at the present time shall not be increased by their acts of timidity or neglect? These are urgent questions; until the budgets of the States are presented in May one will not know whether the unhappy experience of the last fifteen days will be reflected in the courage with which each State Government now faces its own larger economic responsibilities.

Even when the election of a leader has been most unanimous as in Madras one may have some questions as to whether unity is as real as it seems. Mr. Kamaraj Nadar, for all his skilful manipulation of the hustings in his difficult Tamil Nad, is a foreigner in Delhi both by personal outlook and by the sense of "Southness" which he everywhere imparts. It may suit him and the Congress High Command to pretend that they think alike; but no acute political observer will be deceived. There is in fact between Jawaharlal Nehru and Jayaprakash Narayan a deeper communion of spirit than there is between the Prime Minister and the Chief Minister of Madras. The Congress may look a solid block; but it is beginning more and more and in many places to be all things to all men. Thus it is 'weakening' itself, and may one day be broken on the rocks of political doubt. It already has too much of its support in caste and local leadership for it to argue that it is a truly national party.

At the present time all that can be said is that the outlook is not happy, but perhaps the 'residual' character of the Congress Party will provide a silver lining, showing that Mahatma Gandhi built better than the surface indications would lead us to believe. We are now living, by and large, by faith, both in political and economic terms. Faith remains, as it always has been, the substance of things hoped for, the evidence of things not seen. Over the last few years, both our hopes and the evidence of their fulfilment has led us to believe we were building on sound foundations. The sudden halt in buoyancy in the economic system has taken us back to that invisible world in which again we must live by faith. This will do us no harm, for we were beginning to believe that material progress was an almost autonomous thing. Now we have realised that money, and in particular deficit financing alone, will not help us. We will have to think anew and work far harder for success than we have done in the last two years. Nothing but good can come from our thus being forced to take a good look at ourselves in this hour of trial. If we do this in a Gandhian mirror, we will be much abashed; for we have been corroded much by influences Mahatma Gandhi would have scorned. And thus it is that we need not only live contact with the people; we need live contact with ourselves. Perhaps in the ordeal through which we are now due to pass, there will come renewed faith in ourselves. If that should happen because of a new sense of dedication to the country's service, the bitter humiliation through which the country has passed because of its seekers after office, will have proved a blessing in disguise.

India and Suez

PRESIDENT NASSER'S latest memorandum on the operation of the Suez Canal, it is stated, embodies the six principles set out by the Security Council just prior to the Anglo-French attack of November last. This is not wholly correct, for the Egyptian plan differs in some crucial particulars from the Government of India's stand taken at the first London Conference and in the revised Indian plan of October last. This needs to be substantiated if the Government of India is at all to be persuaded to see that it has, knowingly or unknowingly, landed itself in a blind alley. There is ground for hope that the Indian Government may yet modify its Suez policy inasmuch as this country's need for free, safe and secure navigation through the Suez Canal is no less vital than that of Western Europe.

This need was very much in the mind of the Indian delegation to the London Conference in August last. The cautious, though not wholly satisfactory, approach of what was then known as the 'Menon Plan' and that of the revised Indian plan of October last needs to be recalled here in the first instance. The Menon plan of the London Conference urged that consideration be given without prejudice to Egyptian ownership and operation, to association between international interests using the canal and the new Suez Canal Authority. The institutional arrangement for this purpose was to be a body of user interests formed on the basis of geographical representation and charged with advisory, consultative and liaison functions. Under the Menon plan the Constantinople Convention of 1888 could be revised so as to incorporate provisions regarding maximum tolls and canal maintenance. According to the revised Indian plan of October last, the revised convention was to be registered with the United Nations and Egypt to be required to send an annual report to the world body. The function of the users' association was to be limited to 'consultation and liaison'. If the Egyptian Government wished to increase tolls beyond the agreed limit within a period of twelve months, it could do so only with the agreement of the users' association.

The revised Indian plan was worse than the original Menon plan where it contemplated no advisory function for the users' association; it was better where it laid down that tolls could not be increased within 12 months without the prior agreement of the users' association. Otherwise the two plans were virtually identical. The question for consideration here is whether the latest Egyptian plan is in conformity with the two Indian plans. It certainly is not—at least in respect of tolls and canal users' status. The plan lays down that the tolls shall be levied in accordance with the 1936 agreement between the Egyptian Government and the Suez Canal Maritime Company; they can be increased by 1 per cent within 12 months and any increase beyond that level should be the result of negotiation. The snag here is that tolls can well be raised by 1 per cent within every 12 months; there is to be no canal users' body with which any toll increase beyond that level can be negotiated.

Quite apart from the fact that the Government of India has allowed its stand in respect of tolls and canal users' status to be whittled down, there is the consideration that it has not so far firmly stated its position regarding compensation claims arising out of the nationalisation of the Suez Canal Maritime Company. To continue to say (as the latest Egyptian plan also lays down) that these claims should, unless agreed between the parties concerned, be referred to arbitration, is inappropriate for this country which has, to date, a reasonably clean record in the matter of treatment of foreign capital. President Nasser, it may be recalled, promised full compensation at the market value of shares as on the last day prior to the unsuspected take-over of the Suez Canal Maritime Company. This is not a subject for negotiation or for arbitration but one of unilateral obligation on the part of the Egyptian Government. President Nasser has merely to settle the compensation claims in accordance with his promise and to earmark the blocked sterling balances and the frozen foreign assets of the nationalised Company for payment of compensation amounting to about £70 million. As the Company's liquid and near-liquid assets are about £35 million and as Egypt's blocked sterling balances amount to £110 million, *The Eastern Economist* took the view as early as August 10, 1956, that the compensation claims could easily be settled. The Government of India should have no hesitation in telling President Nasser that he should straightway take the necessary steps in the matter.

The leaders of this country should also have the courage to tell President Nasser that while they recognise the right of the new Suez Canal Authority to manage and operate the Canal and to receive the tolls, they also expect that a canal users' body would be recognised by Egypt and that this body's advice particularly in regard to some crucial matters would be respected as a matter of convention. These crucial matters pertain to freedom of navigation for all countries including Israel, to tolls and charges and to the proposed canal development fund. In particular the utilisation of this fund (into which 25 per cent of all gross receipts are to be paid) as of the World Bank's possible loans for the widening and improvement of the canal should be subject to the advice of the users' body. The world's sole interest is in free and improved navigation through the canal, and it is vitally necessary to secure freedom of navigation for all countries at all times and without discrimination on political or other grounds and to ensure cheap and efficient passage for the increasing traffic. A users' body set up to ensure these things cannot, by any stretch of imagination, be deemed repugnant to Egypt's sovereign right to own and operate the canal. While the present Egyptian plan is more or less in conformity with at least four out of the six principles laid down by the Security Council, it would have to be modified to meet fully the letter and spirit of all the six principles. The time has now come for the Government of India to take a forthright stand in the matter, for it is supremely necessary to help allay the just fears of the canal users.

Pakistan's Political Problem

PAKISTAN is once again in the throes of one of its periodical constitutional crises. President Iskander Mirza has resorted to an extreme remedy and imposed Presidential rule in West Pakistan. This was on March 21, 1957. The explanation given for the suspension of the Constitution is that but for it the provincial budget could not be passed in time due to the fluid situation created by the desertion of 30 Republican legislators. Under the President's rule the budget could be—and has, in fact, been—certified by the Governor.

However, if one were to look closely into the matter, the real reason for the dismissal of the Khan Sahib Ministry seems to be different. Had the Ministry been defeated in the House, the Muslim League, the main opposition party in the West Pakistan Assembly, would have to be invited to form a Government in accordance with the normal democratic procedure. The promulgation of the President's rule under Article 193 of the Pakistan Constitution has killed two birds with one stone. It has, on the one hand, kept out of office those who want to scrap the one-unit scheme; on the other, it has made it possible that when President's rule ends, Dr. Khan Sahib may be re-appointed as the Chief Minister. (That is what was done in East Pakistan about two years ago.) It is, therefore, not surprising that President Mirza's action has provoked resentful comments from the opposition leaders.

The Pakistan President's action seems to have been precipitated by the Muslim League's opposition to the one-unit scheme which it had earlier blessed. Mr H. S. Suhrawardy was perhaps preparing the public mind for this action when on the occasion of his country's Republic Day celebrations at Lahore, he asserted that he would not allow such persons or parties to come to power in West Pakistan as might want to wreck the one-unit scheme. Nevertheless, the pertinent question that arises is: How can Mr Suhrawardy attempt such an *a priori* discrimination against his political opponents without doing violence to the accepted canons of democracy? To seek to amend the Constitution is no more than the exercise of a right enshrined in the Constitution itself. Its denial is a repudiation of a basic democratic concept—the sovereignty of the people. Besides, to deny this right is likely to be injurious to the nation as those who deny it generally subordinate national interests to expediency.

The political situation in Pakistan, hardly free from instability, has been further confused by the East Pakistan Assembly's unanimous demand for regional autonomy. This demand also necessitates an amendment of the Constitution. The Central Cabinet Ministers, who ought to be otherwise opposed to this demand, are irreconcilably divided among themselves. While the East Pakistani Ministers of the Suhrawardy cabinet publicly support this demand, the West Pakistani Ministers are opposing it tooth and nail. Mr. Suhrawardy has, of course, ridiculed this demand as "a stunt and not worthy of consideration." But this internal conflict is bound to complicate the task of the Prime Minister to carry the cabinet as a team. He is, moreover, a minority Prime Minister. Thirty-two of the fifty-seven members of his coalition party belong to the Republican Party of West Pakistan; while the remaining twenty-five belong, and are passionately attached, to the demand for regional autonomy for East Pakistan. Doubtless, Mr Suhrawardy seems to have staved off the crisis for the time being by making his supporters agree to the appointment of a committee of nine members, equally divided between East Pakistan, West Pakistan and the Centre, to report on the question of East Pakistan's demand for regional autonomy without impairing or weakening the Centre.

But such devices are not likely to stabilize the political situation in Pakistan. A deep-seated disease needs drastic remedy; and the body politic of Pakistan seems really in ailment. It is probably because of this that President Mirza in his Republic Day broadcast contended that the British Parliamentary system was "unsuited to the genius of the people of Pakistan" and recommended the American system of government: under it there would be no frequent trials of strength in the provincial assemblies. His suggestion ran into heavy weather—even before it could take the shape of a clear-cut proposal—at the hands of the leaders belonging to almost all political parties, including those of the Republican and the Awami League.

In fact, national unity, the country's integration and political stability cannot be achieved through legislative measures or back-stage manoeuvres. Such attempts are, on the other hand, likely to retard their growth by provoking antagonism and suspicion. The best, and perhaps the only possible, way is to develop an industrial economy which will bring in its train, because of consequent operation of centripetal forces, a unity of purpose. This would inevitably engender a feeling of national unity. In this way alone will suspicion be eradicated, the handicap of lack of geographical contiguity and lack of complete cultural unity be overcome and conflicting regional interests be reconciled and resolved.

Political stability is the pre-requisite for the success of such a long-term objective. Effective measures for stability can be undertaken only by a Government which represents the people and enjoys their confidence. Early free and fair general elections are, therefore, a basic necessity for the solution of the political dilemma of Pakistan. Stability in Pakistan is, however, not the exclusive concern of her own people. India, too, has a stake in it. Political instability in Pakistan is harmful not only to India but to all its neighbouring countries, because political adventurers are tempted by such conditions and peace in the entire region is imperative at this time. The solution of the outstanding problems between the two countries—of Kashmir, canal waters, evacuee property—will be facilitated by stable political conditions because a genuinely representative government will be able to take a reasonable stand on these and other similar issues. After all, its continuance in power will not be dependent on the perpetuation of the present conditions of discord between the two countries.

THE WEEK'S NOTES

A WISE DECISION

THE NATIONAL EXECUTIVE of the Praja-Socialist Party has done well in approving the decision of its Kerala branch not to join in a coalition with the Communists. Though its offer was couched in unusually sweet words, the Communists, who had won a working majority, had evidently made it in the certain belief that both its approval and rejection would be to their benefit. In a coalition government as proposed by the Communists the Praja-Socialists would not have been able to take independent decisions. This would have put an end to the only other "Leftist" group in the new State Assembly (as the Revolutionary Socialist Party has not won a single seat). Rejection of the offer by the Praja-Socialist Party, on the other hand, was visualised as no disadvantage because political capital could be made out of the rejection. And this is precisely what the Communists appear intent on doing. No sooner was the offer rejected by the Praja-Socialist Party than the Communists started the expected propaganda barrage: Praja-Socialist Party was accused of being "an auxiliary force of the Indian bourgeoisie"; it was not prepared to join in forming a Government with parties other than the Congress.

These are, however, familiar tactics and cannot deceive those who are acquainted with the Communist wiles of "united front" and "coalition Governments". After 1934, the Congress-Socialist Party, precursor of the Praja-Socialist Party, almost lost its entire cadre and organisation to the Communists in Andhra. In other States the story was not very different, though the results were not so deadly. Masaryk in Czechoslovakia, it cannot be forgotten, was crucified on the cross of a coalition government.

The Communists have come to power in Kerala because the electorate, in all probability, wanted to give them a chance after it had tried out the rule of the Congress and the Praja-Socialist Parties, and found them wanting. The Communists had evidently made the offer to the Praja-Socialist Party in the hope that if, on trial, they were found wanting they could blame it on the coalition government. But now that a coalition is ruled out, the theme-song is that the Constitution of India hinders the implementation of the Communist election manifesto. This is a plea which can pass only with a gullible. For right from the moment when the Kerala elections were announced, the leaders of the Communist Party have been voluble in protesting that they would work within the confines of the Constitution with which they now seek to quarrel.

THE NEW ADMINISTRATOR

PROBLEMS OF administration have been very much in the fore in recent times since the character of Government has changed from that of a police State to a "social service State" in the wake of independence. A number of Government bodies and experts have gone into the question of reforming the machinery of administration to meet the new challenge of economic and social development. The Government of India also sought the services of the American expert, Mr Paul Appleby, whose reports have focussed public attention to many aspects of administration that require overhauling. The Institute of Public Administration was started three years ago to meet a particular need in the field and was intended mainly to make a scientific study of the problems of administration and to provide for necessary training. Mr Nehru in his address this week to the Institute explained the task of the new administration that merits reiteration. The important thing, he said, was that the administration had not only to be good, but had also "to be felt good by the people affected." It meant two things. One was the administration should reflect the wishes of the people. Secondly, it was important to remember that while dealing with large masses of people, "it is the manner that counts more than what you actually do". The proper relationship that should obtain between the administrative apparatus and the people in a democratic set-up thus requires greater study and attention.

Another significant aspect of administration to which Mr Nehru referred was with regard to the avoidance of delay. The machinery of administration should not only be responsive to public needs, but it must get things done quickly. Mr Nehru largely attributed the prevailing corruption to the inordinate delay in the working of the administrative machinery and remarked that fifty to seventy per cent of corruption in the country would go if delays in carrying out things and the power to cause delays were obviated. He pointed out how in the administration of the compensation scheme, for example, there was so much delay that sometimes relief might reach the persons after they were dead! The remedy lies, therefore, in cutting red-tapism and allowing for a good deal of decentralisation. It will be a happy thing if the structure of machinery is so organised that needless consultation is avoided and there is room for taking necessary risks. If local officials were vested with the power for decision, it will be easier to meet local needs locally, and local needs can be heard and redressed locally. Mr Nehru was correct when he said that the experiment of panchayats, though sometimes "most depressing," could not be given up for they form the "base of democracy". The Institute of Public Administration would have rendered a signal service if it could bestir itself to the study of local self-government and devise methods for the successful working of the panchayat as Mr Nehru has suggested.

SOCIO-ECONOMIC SURVEY IN LUCKNOW

ALTHOUGH THE low standard of living in India is a known fact, very little information is available on how people actually live, work and spend their leisure hours and on the type of food they take. The same can be said about housing and clothing. In this respect the socio-economic survey Lucknow conducted in by the Research Programme Committee of the Planning Commission may be considered useful. Though the survey does not give the data on consumption patterns, it fills the lacunae in other ways by providing information about unemployment, sanitation, and the caste structure of society.

The significant feature brought to light is the general superiority of the immigrants over the old residents practically in all essentials including education, earnings, living standards, and incidence of dependency. The average size of a family has been worked out at a little over five persons while dependency is as high as 68 per cent of the total. Class and caste segregation in residential areas particularly of those of the lower ranks has been reported from many localities. It speaks poorly of the State which proclaims itself to be most progressive in the country, when it is found that caste segregation is still rampant and deep-rooted. Again, it is a very sad commentary on the civic administration when it is recorded that in a considerable portion of the city night soil remains lying in the open and only 61 per cent of the streets and 51 per cent of the dust bins are cleaned. Equally

deplorable is the story of workers' bastis which invariably present the sight of slums. So far as the income per household is concerned, the survey works it out at Rs. 135 per month in the case of the immigrants and Rs. 100 per month in the case of old residents. From all that has been said, it appears that some 52 per cent of the households fall below the poverty line, namely, those with an income of less than Rs. 75 per month while another 35 per cent have an income between Rs. 75 and Rs. 250 per month. Only three per cent can be stated to be living in comfort with a monthly income of Rs. 500 or more.

From the humanitarian point of view, it is considered that similar enquiries be conducted in other important towns in the country. The utility of these surveys need hardly be stressed, as it would not only be useful in bringing to light the dismal economic state of affairs prevalent in different parts of the States, but would also be helpful in proper planning.

NIXON'S PLEA FOR AFRICA

AFRICA, THE remote and mysterious continent, known as the paradise of big game hunters, explorers and film producers, has suddenly assumed importance in world politics. This is due partly to the emergence of Ghana as a sovereign State, but largely to Russia's diplomatic and economic offensive in that continent. In practice, both these developments are inter-related. Now that the African people of the various colonies have either won independence or stand on the threshold of political freedom, they want to enjoy the amenities made available by modern science and civilization elsewhere. Russia, as usual, is trying to exploit these aspirations by posing as a disinterested supporter of their demands. According to Mr. Richard Nixon, Vice-President of the United States, who recently undertook a 20,000-mile tour of Africa, "the Communist leaders consider Africa today to be as important to their designs for world conquest as they considered China 25 years ago."

Fortunately, however, their efforts so far do not seem to have been successful. The leaders of the newly-liberated African countries are jealously guarding their hard-won freedom. But it will be wrong to underestimate or become complacent about the danger of Communism. There exists a fruitful breeding ground for its growth in the racial conflict between the Africans on the one hand and the White Settlers and of the peoples of the European colonial powers on the other. While the Africans demand equality some among the latter have not yet given up their imperial notions. Mr. Nixon has, therefore, recommended, and rightly, that the peoples of the free world should not only give priority to economic and technical assistance to the Africans, but also give up racial prejudices. In this connection, he has done well to appeal especially to his countrymen who sometimes do not live up to high ideals they preach, and maltreat Negroes. This gives a chance to Russia and her agents to exploit the incidents and to tarnish the free world in Africa. As we all know they have the knack of making a mountain out of a mole-hill. Mr. Nixon's suggestion to help the independent African States to maintain their ties—analogous to those of the Commonwealth—with Metropolitan European countries is also statesmanlike. It was, after all, the opposite course of American policy which contributed in no mean measure to the collapse of the protective British military canopy over the Middle East, thus unwittingly leading to Communist infiltration.

RADICAL REORGANISATION OF U.K. DEFENCE

BRITAIN'S WHITE PAPER on defence, published last Friday, provides for cutting her armed forces by 50 per cent in the next five years, and the call-up for national service is successively to be reduced to end in 1960. In terms of numbers, the strength of the armed forces, by the end of 1962 when all the conscripts will have been released, will be about 375,000—excluding some 60,000 colonial troops and other forces enlisted overseas—as against the present total of 690,000 of both regulars and conscripts. As for the Rhine Army, it will be reduced during the next two years by some 13,000 from the existing 77,000 and may further be cut in consultation with the Allies. The effects of the cut will, however, be offset by increasing the fighting units and equipping them with atomic rocket artillery. Similarly, the introduction of some squadrons with atomic bombs will enable the reduction of the Second Tactical Aircraft in Germany by half in the next twelve months. Among the three wings, the Navy would, perhaps, have to undergo the largest pruning. The financial saving as a result of the reorganisation has been estimated to be £117 million on present prices. The British Defence Secretary, Mr. Duncan Sandys, however, holds that the actual saving is higher at £200 million. In any case, the net defence bill for 1957-58 stands reduced to £1,420 million, after deducting American and German aid.

While the White Paper is not very clear on details of the execution of the five-year reorganisation plan, the reasons that have led to the present decision are obvious. The scars, on the British economy, of the Anglo-French misadventure in Egypt have not, by any means, been entirely healed. It must be remembered that even before the Suez crisis, Britain's economy was facing difficulties and a review of the defence budget had been necessitated to effect economies. An idea of the magnitude of the burden can be formed from the fact that, over the last five years, this unproductive outlay accounted for the absorption of as much as 10 per cent of the country's gross national product. The need for an adjustment between resources and spending was, therefore, obvious.

But that is only a part of the explanation. However strong may be the opposition to atomic and nuclear armament, it is becoming increasingly clear that both sides are convinced of the compulsion to rely mainly on such arms. And the United States has promised to supply the United Kingdom with guided missiles and other nuclear weapons in the production of which the United Kingdom has not made any appreciable progress to depend on her own supplies. For the U.K. this was a necessity dictated by her geography and size. This, in turn, means a lesser emphasis on conventional arms and methods of warfare. The White Paper itself provides a dreadful warning that, in the event of a resort to nuclear attacks and counter-attacks, the effect will be so crippling that such a war may come to an end in a matter of weeks. Apart from rendering huge armies, equipped with conventional arms, largely ineffective, this underlines the need to achieve the highest perfection in speed and accuracy of atomic weapons to wipe out the enemy before he may strike. By and large, that is what the reorganisation seems to seek to achieve. To the extent that the development of nuclear arms in the free world is a deterrent to their possible employment by the other side in a conflict, to that extent their usefulness should be recognised. Nevertheless, the lay man cannot easily get over the grim fear of the effects, direct and indirect, howsoever removed he may be from the theatre of war—and the H-Bomb hardly holds any respect for distances.



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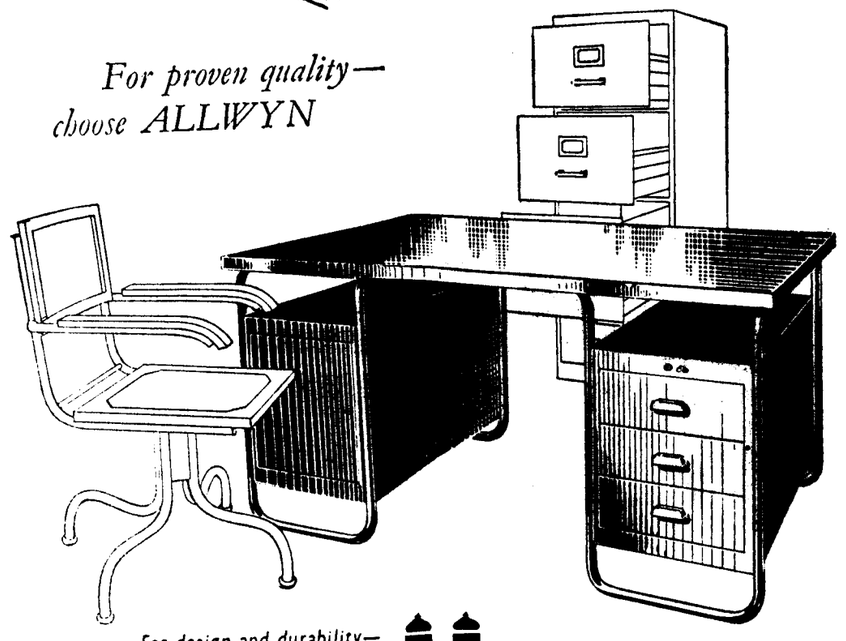
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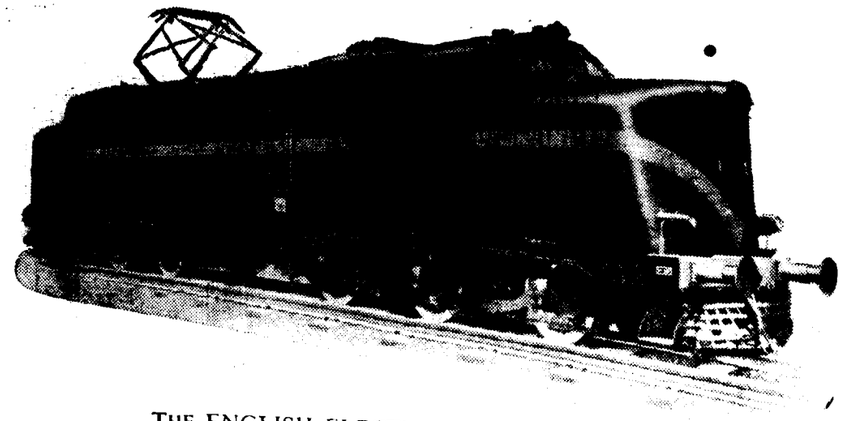
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A Window on the World

"THE TIMES" OR THE "DAILY MUCK RAKER"?

By

ODYSSEUS

MANY MEN of intelligence and culture have a contradictory attitude towards the press. They despise it, dismiss journalists as a scruffy set of interfering snoopers, always putting awkward questions about matters that they do not understand in order to write scandalous columns that upset all "right-thinking people". Yet, if you ask them why, then, they read newspapers at all, they usually have no answer and wax indignant if you suggest that they literally could not perform their duties as professional men, or as citizens, if they failed to keep themselves informed through the newspapers. No civil servant, banker, diplomat, industrialist, or business man, to cite but a few, exists in any country who persistently neglects newspapers (or if he does, it means that he depends on someone else to read them for him).

Genuine democracy is impossible without the constant clash of public debate in the press, and without a press that is not afraid to stand up, when necessary, to criticise any person or organisation in public life, no matter how powerful, and to act as the watch dog of individual liberty. If the press does not do this, nobody else can. To whom, if not to the press, shall a citizen turn, who feels unjustly treated or who has unearthed a public scandal? To his M.P.? But it must be observed that the M.P.'s knowledge that the matter raised will be publicised is an important factor in deciding his attitude towards his constituent. If he thinks that the publicity will be useful to him, he will jump at the chance offered. If he fears that it may create difficulties for him, he must decide whether even worse difficulties may not overtake him if the constituent takes his grievance to the press and reveals that his M.P. was afraid to touch it.

Without a free press a country is on its way to police state abuses and the tyranny of unrestricted bureaucracy—for, make no mistake, what all civil servants in all free countries detest above all else is having matters inconvenient to them revealed in the press. It leads to questions in Parliament which open the door to unpleasant, but democratically healthy, possibilities, such as an exasperated Prime Minister asking the Minister concerned what the blazes is going on behind his back, which sends an aroused Minister charging along to his department, where he has all the secretaries fluttering around him like a flock of pigeons after a gun has been fired. Such embarrassing press vigilance helps to throw light on dark corners and to prevent other corners from becoming dark.

THE PRESS—IN THEORY AND IN PRACTICE

That, no doubt, is the theory of the functions of the press. What of the practice in India, and elsewhere? The press is human and its practice falls short of the ideal in varying degree in various countries.

As far as the dissemination of important information is concerned, the Indian press, by and large, comes out pretty well. The representative Indian newspaper concerns itself with serious affairs. A detailed statistical analysis of a leading Indian Sunday paper's contents that I made here on August 26, 1955, revealed that out of 1,127 column inches, 204 were devoted to politics, 229 to miscellaneous serious news, 223 to finance, industry, markets, etc., 254 to foreign news, and only 41 inches to crime.

On the other hand, as that excellent book "Journalism in Modern India" (Asia Publishing House. 1953) points out, one of the weaknesses of "these admirably solid dailies" is that they are "perhaps a shade timid in dealing with delinquencies in public life. There is a natural feeling against 'letting the side down' and an equally natural aversion to incurring governmental displeasure."

Another reason why some Indian newspapers hesitate to stand up for the rights of individual citizens, or to criticise persons powerful in public life forthrightly, and why some editorial writers and special correspondents are too ready to reflect the official view dictated to them by ministerial spokesmen, is that it is not always easy for those with inadequate financial resources to display all the independence and disregard for consequences that they would like.

The inadequacy of finance arises from the small circulations of Indian papers which, as "Journalism in Modern India" says, "means low advertising rates, and consequent recurrent revenue difficulties." My 1955 statistical analysis also showed that only 31.8 per cent of the Indian Sunday paper's 20 pages carried advertisements, whereas 42 per cent of the 12 pages of the 'Observer' (of London) published on the same date carried advertisements, so that the 'Observer' secured more advertising at higher rates to fill fewer pages.

Nevertheless, with all its imperfections, the Indian press, in its choice of topics and allocation of space, remains the most serious in the free world. 'The Currents' and the 'Blitzes' are the exceptions. The 'Times of India' and the 'Hindustan Times' are the rule.

DANGEROUS ESTATE

When we turn to the British press, we find a different picture. Francis Williams, former editor of the 'Socialist Daily Herald' has just published "Dangerous Estate' (Longmans. 24sh.), which, after giving a first rate outline of the history of the British press (the historical model and inspirer of the press throughout a large section of the free world from Australia to the United States) proceeds to analyse its present-day influence and methods.

In 1956, the British press, daily, weekly, and periodical, published advertising to the value of £350,000,000. It can afford total political independence and is afraid of no one.

Since 1940, the population of the UK has risen by 7 per cent. The sale of national morning papers has risen nine times as fast. It now totals 16,000,000 a day. Since 1940, the sale of Sunday papers has doubled from 15,000,000 to 30,000,000.

The UK press falls into three groups. First, the serious newspapers: The 'Times' (circulation 200,000)

and the 'Manchester Guardian' (160,000). Between them, I consider these to be the two outstanding newspapers in the world: The 'Times' for the variety and quality of its news coverage and the 'Guardian' for its originality, verve, courage, and integrity. Mr. Williams admits the 'Daily Telegraph' (circulation 1,000,000) to this class, but to my mind it is third by several lengths. As Mr. Williams says, it "is the least intellectually demanding of the three" which, no doubt, is why it secures more than two-thirds of the sales of the "quality" press which carries out those functions traditionally belonging to a serious paper.

At the other end of the scale (or shall we say barge pole?) comes the "Daily Mirror", which attracts 4,700,000 readers daily by (says Mr. Williams) "a frenzied gusto in dredging the news for sensational stories of sex and crime," "radical muck raking crusading", "personal invective", and careful avoidance of all that an educated man regards as interesting or important. Next, the 'Daily Express' (4,000,000) whose formula is to create a glamour world of escape in which anything can happen, the world of Walter Mitty, and of the dream of a precocious, badly brought up, 12 year old girl. The readers of these two newspapers are born, live, and die, in ignorance of all but the trivial, the sordid, the emotional, and the pornographic —a solemn thought.

In between, there comes a group of medium circulation popular papers which admit that there is more in the world than sex and crime: the 'News Chronicle', 'Daily Herald', and 'Daily Mail', with circulations between 1,500,000 to 2,000,000 each.

In this picture there is one small bright glint. Even in what are nostalgically recalled as the great days of serious British journalism in the late nineteenth century, no more than 1 per cent of the then population of 38,000,000 bought the serious dailies. Today 3 per cent out of 54,000,000 read them. Twenty-five years ago the circulation of the serious dailies was 6 per cent of all national papers. Today it is 9 per cent. It is consoling that the 'Manchester Guardian' has more than trebled its readers since 1940 and that the circulations of serious weeklies, like the 'Observer', 'Spectator', 'Economist' etc., is in each case several times pre-war. In absolute figures, more intelligent Britons read responsible papers today than ever before. And the leisure of more moronic Britons is spent in reveries of sex, crime, and glamour than ever before.

Francis Williams argues that confusion of thought arises because both the 'Guardian' and the 'Daily Mirror' are described as "newspapers", whereas their functions are distinct. The 'Guardian' seeks to inform and to guide. The 'Mirror' to amuse. He notes that when Britain's eldest Sunday paper, the "News of the World," first appeared in 1843, it concentrated on rape, seduction, violence, and marital infidelity. Whereas there were sufficient literates to buy 100,000 copies in 1843, today compulsory education has raised the number to 7,000,000. It is not, he says, that the papers have depraved the masses but that they supply what the masses want. The taste of the masses today is identical with that of their forefathers.

The mass-circulation papers arose in the UK as literacy came to the millions. As it is but a matter of time before literacy comes to the millions in India, I propose next week to discuss the questions: As Indian literacy rises will Indian Daily Muck Rakers begin to pullulate? If so, would that be harmful or would it not matter? If it matters, what, if anything, can be done to prevent it?



MORE UNREST IN SPAIN

(From Our Special West European Correspondent)

MADRID, April 5.

FOR the past year, unrest, agitation and labour trouble have been constantly simmering in Spain. Coming after 17 years of totalitarian quietude and coinciding with the challenge to dictatorship in East Europe, it is natural that this feverish period should have been taken outside Spain for the harbinger of further and more spectacular trouble to come—specifically, as the forerunner of a direct and open opposition to the Francoist dictatorship. But there are as yet no signs whatsoever of that. Unrest in Spain continues to simmer ominously but never gets any worse; the regime seems powerless to put an end to it, but the population seems equally powerless to carry its discontent any further. This has been especially noticeable in Madrid this past week. Tracts were plentifully distributed here calling on the population to boycott the celebrations for the anniversary of the end of the civil war, and there is no doubt that a majority of Madrilenes substantially agreed with the criticisms of the regime contained in these tracts; the action suggested (staying at home on the regime's birthday, which was a holiday) would have been safe but impressive. In fact, the streets, trams and cinemas thronged with people who gaily abused the government but were not willing to miss an outing for the sake of a political protest. Meantime, the secret police rounded up 14 so-called Communists responsible for printing the pamphlets, and Franco placidly took the salute at an ostentatious and rather comical military parade.

At the same time, a go-slow strike continued in the mines in Asturias. Strikes are of course illegal here and it takes considerable courage for workers to resort to any form of organised protest. But a few minor troop movements toward the mining areas sufficed to break this resolution, and at the time I write it appears that the movement will collapse. In Barcelona, the traditional storm centre of Spanish agitation, there was an echo of the unrest in Madrid and Asturias but a feeble one that came to nothing despite persistent efforts by the regime's enemies. One could understand this failure of generalised discontent to flare up into something hotter if the regime were countering it with firm repression, such as it would meet with in a Communist country; but in fact repression in Spain is as half-hearted as the agitation. One has the feeling—at least one who has the tempo of Indian politics in mind and who has just crossed the Pyrenees from France—that politics is carried on in Spain by people who are half-asleep and who go through the grandiloquent motions of Latin agitation quite absent-mindedly. Neither the occasional bomb-thrower nor the ubiquitous secret police really seem to mean it. Yet the agitation continues.

The way the official censorship deals with the news of this persistent unrest further reveals the political exhaustion and disinterest produced in Spain by three years of civil war and 18 years of Franco's idiotic and incompetent governance. Most of the time, the controlled Press and radio simply ignore the most widespread and visible signs of dissatisfaction, including even events such as took place last year in Catalognia which led foreigners to expect the downfall of the regime. Then suddenly, for no apparent reason, the controlled information services pick out an instance of agitation, such as the current Asturian labour trouble, and not only report it but exaggerate it beyond all bounds, providing blood-curdling accounts of Communist conspiracies and foreign intervention, which are perfectly false. It is as though most of the time the regime relied on political indifference to smother unrest before it becomes dangerous, but every now and then decided to reinforce this indifference by calling up the spectre of the Civil War to suggest where such unrest might lead if too many people took an interest in it.

Paradoxically, the causes of the present discontent redound to the regime's credit—to the credit of its economic ambitions if not of its economic competence. After decades of almost total stagnation, the Spanish economy has at last begun to move and this unaccustomed movement has produced an inflation from which the mass of the population is suffering acutely. Production has been increased more or less as planned in certain branches, but workers' living costs have risen in a year by 33 per cent. The official Press reports only the production increases and permits itself to talk of the "industrial revolution" and the "economic miracle"; the workers, on the other hand, see none of the consequences of the supposed economic miracle but do see the value of money falling.

The conjunction is thoroughly familiar to Indian readers and the interest of the Spanish case is that it reproduces certain characteristics of economic planning and enables us to draw some general conclusions. The main lessons are that planned increases in output can be brought about fairly easily, under any sort of political regime, by planning boards; but that the planners always grossly underestimate the time-lag between planning "successes" and the marketing of goods, with the result that they find themselves with an awkward inflation that exceeds even the dangerous inflation they had cynically allowed for in their plans; and moreover that (this is a lesson emphasised here previously in regard to economic planning in Italy) the planners always grossly underestimate the strain of industrial expansion on the balance of trade. This general picture (varying only the strength of the adjectives) applies to economic planning in Asia, in the Communist countries and now in Spain.

Breaking with its old habits of procrastination and indolence, Franco's government has in the past 12 to 18 months applied itself to encouraging industrial expansion, and has actually succeeded in bringing about increases in the production of basic or "strategic" commodities which on paper and as percentages compare quite favourably with the planning achievements of India and the Communist countries. These include a half-million-ton increase in coal extraction, a 15 per cent rise in electricity production, a quarter-million-ton rise in cement production, a really substantial expansion in heavy chemicals, and exceptional activity in shipbuilding and motor cars. But as usual progress has been uneven, and there has been retrogression in textiles and some sections of agriculture. Worse, this economic "miracle" has been produced almost exclusively by the government's own efforts, and that means by inflationary finance. Native capital is shy of investment in basic industry while foreign capital (already scared by several political nationalisations) is permitted only a minor participation in these industries for nationalist reasons. The government's excessive ambitions in investment have succeeded in weakening

the currency, so that the peseta has lost 25 per cent of its value on foreign exchanges and has simultaneously lost purchasing power within the country.

The foreign exchange element in public investments was much underestimated and there has been a heavy drain on the balance of payments. The cost and quantity of imports required to mitigate the internal inflation brought on by industrial investment were not foreseen, any more than in India or Italy in similar circumstances. Too much attention was given to quantitative increases in output without enough care for quality improvement, so that exports have not risen as much as expected. It has sufficed for one bad agricultural season—in Spain's case, the 85 per cent failure of the orange crop—to bring on an exchange crisis, which American dollar aid has done little to extenuate. Although the workers justly complain of their worsening situation, it is also true that their productivity is far too low, in part because of secular habits of indolence—the Spanish worker has as many religious holidays as his Indian counterpart and probably really only works a 35-hour week. And finally, to complete a familiar picture, the chief economic planner has just admitted that, without actually cutting the plan (planners never confess to doing that), it is now necessary to be more "moderate and selective" and in fact to slow down the rhythm of public investments.

The Spanish economy faces another and peculiar threat, which concerns a matter often referred to here in recent months: the constitution of a European common market. Spain cannot of course afford to join Euromarket because she is developing her industry and cannot permit competition from her more advanced neighbours. But by staying out, she faces the danger that her exports to the rest of West Europe, especially her agricultural products, will run into a customs barrier built by the Six of Messina to protect their infant common market. Thus, after several years of painful effort directed at bringing Spain nearer the economic position of her European neighbours, she may see herself shut out from their common effort and further handicapped in her main market.

As has also happened in certain other developing economies, altogether excessive hopes were placed on American aid, which in the event has been slow to arrive, has preferred military to economic projects and has never (through no fault of the Americans) seemed to reach just the sectors of the economy that most needed it. The American Government is at present putting pressure on Madrid to abandon the system of multiple exchange rates for various exports and imports; the present decline in the value of the peseta may permit the Spanish Government to introduce a uniform system for foreign exchanges, from which it may draw the benefits gained by several Latin American countries which were also obliged to do this under American pressure.

These economic difficulties are sufficient explanation for the simmering unrest that Spain has known for a year past, but in a country where political indifference is so firmly established one cannot assume that this unrest will have serious consequences. Franco is not in full control of the situation, but then he never was, and he will no doubt remain in power, the symbol of Spain's political exhaustion.

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WORLDGRAM

AGRICULTURE

Mysore Agricultural Debtors Relief Amending Bill: The President has given his assent to the Hyderabad Agricultural Debtors Relief (Mysore Amendment) Bill, 1956. The Bill seeks to amend the Hyderabad Agricultural Debtors Relief Act, 1956, which applies to certain parts of Mysore, so as to enable the Mysore Government to fix by notification the last date by which applications may be made by debtors to courts for adjustment of their debts. Section 4 of the Hyderabad Act provides that a debtor or his creditor may make an application to the court for adjustment of his debts within three months from October 5, 1956, the date on which the Act came into force. However, the rules for implementing this provision were not framed by the former Hyderabad Government and so no application could be made under this section till now.

*

Villages Covered by Community Development and N.E.S. Programme: The Community Development and National Extension Service Programme covers 222,000 villages with a rural population of approximately 129.9 million, says a Report of the activities of the Ministry of Community Development for 1956-57. Of this coverage, about 36 per cent is under intensive development and the rest under National Extension Service. Families benefited by development activities number 11,140,000. By the end of the second Five-Year Plan, the whole country is to be covered with National Extension Service Blocks. Not less than 40 per cent of the N.E.S. Blocks are to be converted into Community Development Blocks for the purpose of intensive development.

INDUSTRY

Standard for Ethylene Dichloride: An Indian standard specification for ethylene dichloride, technical, has just been published by the Indian Standards Institution. The standard prescribes the requirements and methods of sampling and test for ethylene dichloride, technical. The material is suitable for use in the paint industry and also as an insecticide (fumigant preparations). The standard includes the methods for the determination of specific gravity, distillation range, residue on evaporation, acidity and free chlorine. Copies of this standard, which has been prepared by ISI's Fine Chemicals (Organic and Inorganic) Sectional Committee, are now available from the Indian Standards Institution, 19 University Road, Delhi-8, and its branch offices at 40/40A Cawasji Patel Street, Fort, Bombay-1, and P-11, Mission Row Extension, Calcutta.

*

Graduated Measuring Cylinders: An Indian standard specification for graduated measuring cylinders has just been published by the Indian Standards Institution. The standard prescribes the requirements of a range of graduated measuring cylinders, stoppered, suitable for laboratory uses. The standard also gives a test for neutrality. Five tables, describing tolerance on capacity, over-all height and diameter of the base of the graduated measuring cylinders, length of scale of graduated measuring cylinders, stoppered, and subdivision of graduated measuring cylinders, are provided in the standard.

*

Terms Applicable to Timber Plywood and Joinery: The Indian Standards Institution has issued for eliciting comments, a draft Indian standard glossary of terms applicable to timber plywood and joinery. Several Indian standard specifications covering timber and wood products have been published by the Institution and these include a large number of technical terms relating to timber and wood technology. The glossary includes definition of terms relating to logs, timber and timber products, anatomical features, defects in timber, terms used in regard to plywood and coreboard and also joinery work. An important aspect covered by this draft standard is the definition of terms denoting different sizes of converted timber from the smallest to the largest. Comments on the draft may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before May 25, 1957.

*

Revised Standard for Zinc: The Indian Standards Institution has published a revised Indian standard specification for zinc (IS: 209-1956). This standard was first issued as a tentative standard in 1950. Apart from reduction in the number of grades of zinc from five to three, the revised standard covers requirements with regard to supplier's guarantee, sampling and chemical analysis. Three grades of zinc used for general purposes are included in this standard. Grade Zn. 99.95 may be used for abodes for electro-galvanizing and the manufacture of deep drawing quality non-ferrous alloys. Grade Zn. 98.50 is generally used in the manufacture of pigments for paints and for hot dip galvanising, Grade Zn. 98 is used for general purposes. Copies of this standard can be had from the Indian Standards Institution, 19 University Road, Delhi-8 and its branch offices at 40/40A Cawasji Patel Street, Fort, Bombay and P-11 Mission Row Extension, Calcutta.

*

Revised Standard for Pig Lead: The Indian Standards Institution has published a revised Indian standards specification for pig lead (IS: 27-1956). This standard was first issued as a tentative standard in 1950. Apart from the inclusion of a new grade of pig lead of 99.99 per cent purity, the revised standard covers requirements with regard to supplier's guarantees, sampling and chemical analysis. The limits for the impurities have also been given for all the grades. The standard covers three grades of pig lead. Grades pb. 99.99 and pb. 99.98 are suitable for use in the manufacture of chemical apparatus, and Grade 99.8 is suitable for general purposes. Copies of this standard can be had from the Indian Standards Institution, 19 University Road, Delhi-8, and its branch offices at 40/40A Cawasji Patel Street, Fort, Bombay and P-11 Mission Row Extension, Calcutta.

TRADE

Foreign Trade of India in January, 1957: The provisional figures of foreign trade of India by all routes, sea, air and land, on private and Government accounts, during January 1957, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows:

Merchandise: Excluding transit trade of Pakistan and other overland foreign countries, viz. Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 5498 lakhs, Re-exports Rs. 30 lakhs, Imports Rs. 7876 lakhs; Total trade Rs. 13,404 lakhs.

Treasure: Exports of currency notes Rs. 3 lakhs; Others negligible.

Imports of gold Rs. 1 lakh, currency notes Rs. 389 lakhs, others—nil.

Balance of Trade: The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency, in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 2349 lakhs.

*

Trade Handled at Bombay Port: The tonnage handled at Bombay Port during 1955-56 was 10,305,799, setting up a new record in the history of the Port. Imports during the year accounted for 6,707,000 tons and exports 3,599,000 tons. The corresponding imports and exports, during the previous year were 5,630,000 tons and 1,954,000 tons, respectively. Imports of iron and steel showed increase as compared with the previous year, the figures being 140,900 and 281,000 tons, respectively. The number of vessels which entered the Port during 1955-56 was 2,621 of 13.94 million GRT. The number of sailing vessels that used the Port during 1955-56 was 24,191. Amongst important works on which expenditure was incurred during the year was the construction of a new marine oil terminal (Rs. 164.75 lakhs). The Port Trust Board performed another year of useful work and Government viewed with appreciation the work done by the Board during the year under review.

*

Iron Ore Export Earnings Rise: Iron ore export earnings rose to Rs. 6.64 crores during the nine months ended December, 1956, compared with Rs. 4.06 crores in the same period of the previous year, showing a rise more than 50 per cent. In addition to the improvement in the prices of ore, the increase in the quantity from 922,781 tons in April-December, 1955 to 1,262,974 tons during the period under review also contributed to the higher export earnings. Though Japan maintained the position of leading buyer with an offtake of 738,040 tons, shipments to Czechoslovakia at 305,983 tons showed a marked increase of approximately 220,000 tons. While Belgium was out of the Indian market, offtake by West Germany showed a substantial decline at 25,877 tons. Other countries, however, increased their offtake from 75,150 tons in the nine months ended December, 1955, to 193,074 tons during the period under review.

*

Export of Raw Cotton: The Government of India have decided that, with immediate effect, no further sales of Indian raw cotton against the licences issued in terms of Government announcements on February 6 and 7 would be allowed says an Export Trade Control Public Notice issued recently. (Under the announcements made on February 6 and 7, the Government had allowed a total quantity of two lakh bales of Indian raw cotton of all varieties, including Bengal Deshi, for export up to June 30, 1957.) The notice says exporters who have already entered into firm commitments against the licences issued in terms of the February announcements on or before March 30, 1957, are required to produce documentary evidence of (A) firm contract executed, (B) letter of credit opened, and (C) cable offer and acceptance so as to reach the office of Joint Chief Controller of Exports, Bombay, not later than April 6, 1957. No further licences on any ground will be issued, the notice adds.

FINANCE

US Credit to France: At the end of February, 1957, a group of US banks concluded with French banks an agreement under which revolving credit up to $100 million will be granted to finance French purchases of oil in the dollar area. The credit will run until December 31, 1958 and will take the form of bankers' acceptances. The US banks will stamp as "accepted" 90-day sight drafts drawn on them by the French banks, who will pay both the acceptable fee of 1½ per cent per year and the going 3½ per cent rate for discounting 90-day acceptances.

*

Poland's National Income: 1949-55: The national income of Poland, calculated in terms of 1950 prices, increased from 80.3 billion zlotys in 1949 to 146.9 billion zlotys in 1955, or by 83 per cent. Private consumption increased by 60 per cent, from 55.5 billion zlotys, public consumption increased from 6.6 billion zlotys to 12.5 billion zlotys, and nets investment from 18.2 billion zlotys to 45.9 billion zlotys. The share of net investment in the national income varied between 23 per cent in 1949 and 38 per cent in 1953. In 1955 it amounted to 45.9 billion zlotys, or 31.2 per cent of national income.

*

Sales Tax on Inter-State Transactions in Declared Goods: It is stated that Section 15 of the Central Sales Tax Act will come into force on July 1, 1957, together with other sections of the Act, instead of May 1, 1957. This modifies the previous notification issued on the subject. Section 15 declares certain goods to be of special importance in inter-State trade or commerce and lays down that no State is authorised to levy sales tax on 'intra' State sale or purchase of goods at a rate exceeding 2 per cent and at more than one point in the series of successive sales. The goods so declared are coal, including coke and all its forms, cotton, hides and skins, iron and steel, jute and oilseeds.

*

Further Rise in Sterling Area Reserves: The sterling Area's gold and dollar reserves rose by $62,000,000 during March and stood at **$2,209 million** on March 31. Defence aid estimated at $5,000,000 was received from the USA during the month. A sum of $17,000,000 was received in gold or dollars from the European Payments Union in respect of February, and $3,000,000 was paid to creditors of the Union in bilateral settlements. On the provisional figures for the month, the United Kingdom had a deficit of £3,000,000 with the European Payments Union, which will fall to be settled in April, as to 75 per cent. In gold or dollars and as to 25 per cent, by an increase of the debt to the Union. As a result of the further increase in March, there has been a rise of $76,000,000 in the gold and dollar reserves in the first three months of this year.

GENERAL

Electricity Output: During December, 1956, 757 public electricity supply undertakings generated 879.5 million kilowatt hours (kwh.), of which 715.0 million kwh. were sold to ultimate consumers. Power production during November, 1956, was 808.6 million kwh. This shows an increase of 70.9 million kwh. in December. Five purchasing undertakings were the new additions during the month. Those are at Balikuda and Bhulnakhara in Orissa and Ahmedpur, Kaligunj and Basirhat in West Bengal. The output of sale of power during December, 1956 were 784.3 million kwh., and 648.8 million kwh.

NEWS IN BRIEF

INDIAN

The Government of India have reviewed the policy for export of raw wool and have decided to release a further quantity for export during the period April-September, 1957. Exports will be allowed by established shippers and new-comers as in the previous period.

*

Following discussions with the Ministry of Production, the Standard Vacuum Refinery Company has agreed to surrender the duty protection of Annas 2 per gallon on motor spirit produced by them with effect from October 1, 1956, and to refund the money already realised on account of this concession after that date.

*

Sums totalling Rs. 27,86,760 have been sanctioned by the Government of India for road development works in Andhra, Assam, Kerala, Manipur, Madhya Pradesh, North-East Frontier Agency and Tripura.

*

Loans and subsidies totalling Rs. 29,13,287 were sanctioned by the Government of India during January and February, 1957, for the construction of 1,228 tenements under the Subsidised Industrial Housing Scheme.

*

The Government of India are appointing, with effect from April 1, 1957, the Khadi and Village Industries Commission under the provisions of the Khadi and Village Industries Commission Act adopted by Parliament for the purpose.

*

The Open General Licence for Pakistan, which is to expire on March 31, 1957, has been extended, without any change, until June 30, 1957.

*

A total capital expenditure of Rs. 156.83 crores is proposed to be incurred on the three steel projects—Rourkela, Bhilai and Durgapur—during 1957-58.

*

Production of penicillin at the Hindustan Antibiotics (Private) Ltd., at Pimpri, reached a total of 12,49,460 mega units during the month of February, 1957 as against 11,62,000 mega units in January, 1957.

*

The quantity of food grains produced in India during the year 1947, 1952 and 1956 was 425, 429 and 534 lakh tons respectively, while 14.2 lakh tons had been imported during 1956. The total quantity of food grains exported during 1956 was 43,800 tons.

*

The Government of India have approved the placing of an order with Messrs. Oronzio De Nora of Milan, Italy, for the supply of electrolysers for the Nangal Fertilisers and Heavy Water project. Electrolysers form an important constituent of the project. The total cost of the supply to be made by the Italian firm is estimated at Rs. 3½ crores.

*

The Central Sales Tax Act, 1956 (74 of 1956) will come into force on July 1, 1957, instead of May 1, 1957, as previously notified. From July 1, every dealer will be liable to pay tax under the Act on all sales effected by him in the course of inter-State trade or commerce.

*

Under the Colombo Plan, AIR is receiving equipment from Australia, for a number of projects under the first and second Five-Year Plans, for the development of broadcasting in India. Orders for equipment worth about Rs. 87 lakhs, out of the total allocation of Rs. 112 lakhs, have already been placed.

FOREIGN

Industrial production, personal income, consumer spending and employment were at record or new-record levels in the first two months of 1957 in USA.

*

The World Bank has formed a new Far East Department to tackle increased banking operations in Burma, China, Ceylon, Indonesia, Japan, Korea, Philippines, Thailand and Viet-Nam.

*

Canada received a capital inflow of **$6 million** (£2,247,000) in January from international securities trade. In December, there was an outflow of **$9 million** (£3,370,000).

*

It is reported the Australian Government will guarantee prices for butter and cheese for a further five years under the new stabilisation plan for the dairy industry which operates from July 1.

*

Eire's total revenue was £117,663,725 for the year ended on 30th March, compared with £111,675,488 for the preceding 12 months. Expenditure totalled £135,579,479 against £126,281,027.

*

Final figures for the Exchequer 1956-57 show a surplus on ordinary revenue-expenditure account of £290 million. This was £107 million below the 1955-56 level and £107 million short of the Budget estimate.

*

Canada's production of steel ingot and pig-iron in January continued the rising tendency which has been effect for a year or more. Steel ingot output rose 7.4 per cent to 456,440 tons compared with 425,167 the previous January, while pig-iron output rose 7 per cent to 304,896 tons (285,084 tons).

*

A new policy designed to prevent over production in the United States synthetic textile industry has been announced by the Amerotron Corporation division of Textron Inc., a leader in the field.

*

Britain was France's fourth trading partner in the first two months of 1957, statistics published by the French customs and Excise Department show. The trade turn over between the two countries was £33.5 million compared with £29 million in the same period of 1956.

*

It is reported the fall in the United Kingdom's share of world exports of manufactures between 1951 and 1955 continued during 1956, while UK exports of manufactures increased by 11 per cent in value in the first nine months of 1956, world trade increased by 15 per cent. The UK's share of the total consequently fell to 19.3 per cent, compared with 20 per cent in the same period of 1955.

*

The West German production index in February was 215, compared with 207 in January (basis 100 in 1936). This was a rise of 3.9 per cent over the previous month and 12 per cent over February of the previous year.

*

The February trade figures for the Federation of Malaya show for the second consecutive month this year a favourable trade balance. Exports were valued at $M116.2 million and imports at $M153.8 million. These figures compare with exports in January of $M202.3 million and imports of $M160.1 million.

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Special Articles:

ECONOMIC DEVELOPMENT AND PUBLIC CONTROL IN YUGOSLAVIA

By

SERGEY KRAJGER

(Director of The Institute for Economic Planning)

As the system of social self-government, with the workers' councils and the self-governing communes as its basis, developed in Yugoslavia, the character and methods of public control of economic affairs and the direction of economic and social development have also been gradually changed. The implementation of a determined political line in economic and social development in keeping with prescribed obligations of economic enterprises concerning production and distribution and prices fixed by central organs, was given up and replaced by planning on the basis of the fundamental criterion of the national income and its distribution. Thus, the market and free business contacts of economic enterprises, together with the free operation of the law of values, became the basic instruments in determining production. The economic plan of the Federation, with the unique economic system and financial machinery is the fundamental lever which, in economic matters, ensures the implementation of a uniform economic and political policy of social development. The People's Republics, districts and municipalities, too, have their own economic enterprises.

Economic enterprises in our economic and social system have the status of independent legal persons. The economic plans form a social link between economic enterprises themselves and between the economic enterprises and the community. Enterprises establish business contacts with each other as independent legal persons through the market as laid down by the market laws. We can say that the free market and business contacts established in such a market, without any intervention of the state and its organs, is the measure of general freedom in economic affairs and social relations. The right of the working people to manage the means of production imposes the obligation upon the working collectives of all enterprises to ensure—by marketing their products as best as possible—uninterrupted production, to provide adequate remuneration to all employed workers and office employees according to their work output and to set aside a certain percentage of their profits for social funds of the community, investments and their own funds. Such a status of economic enterprises is irreconcilable with any direct interference in their affairs by the planning and other administrative organs.

All enterprises have the same rights and obligations, no matter whether they belong to the co-operative or the general state sector, whether they are large or small. Since the market activities and goods traffic reflect the extent of economic development and division of labour, we consider that, in our conditions and generally, there is no justification for Stalin's theory, now given in the Soviet text books on political economics on the necessity for the restriction of the market laws and the free operation of the law of values outside the state sector and in the field of personal consumption. Accordingly, his theory, contrary to the Marxist teaching, says that the law of values does not play any role in the traffic of the means of production produced by the "State" enterprises. As this theory states, the reproduction material and the means of production are not market values, nor are they considered as commodities. We on the other hand, consider—and act accordingly in practice—that with social ownership of the means of production it is not only possible but necessary to allow the law of values to operate freely within certain limits. In such limits, the trends of economic movements, which are expressed through the action of the law of values and price fluctuations are the safest indication of the structural deficiencies in economy, of the weaknesses in distribution and the inefficiencies of the economic enterprises. Accordingly, such trends are of great value in determining interventions, as well as in planning.

For some years now, economists of the Western countries and now also commentators in some Eastern countries, have been asking: does not workers' management of economic affairs, i.e. the relative independence of economic enterprises, lead to division of economy and to prevention of concentration of the means of production as necessitated by modern technological process? And further: is not such an organisation suitable for the underdeveloped productive forces of a country in the process of industrialisation, a country with undeveloped division of labour and a poorly developed market?

The experience we gained in the first post-war period of administrative management of economy and during the last six years of social self-government gives a negative answer to these questions. Our successes in overcoming the inherited backwardness, the growing political unity and socialist consciousness of our working people, and, primarily, the expansion of the productive forces, made possible by rapid industrialisation, has made it necessary to abolish the administrative system of economic management. In our case, as always in history, it has proved necessary to go on adjusting social relations to the increasingly higher stage of development of the productive forces. I think that it would be difficult to find any one in Yugoslavia who believes that this problem, which had to be settled in Yugoslavia, does not appear in other countries at the same or even higher stage of development. The important issue in the concentration of production factors is not the question whether enterprises are large or small, but the question of workers' association and co-operation with increasing independence. 'Workers' management of enterprises, and the inter-relations of the productive forces, can in no way retard the process of their growing inter-dependence.

In our conditions workers' management of economic affairs has proved to be the factor which accelerates this process. The indices of industrial production in our country, the ratios of investment and reproduction material and the production of consumer goods, are interesting not merely because they reveal a rapid rate of development. They, first of all, show that the production of many new articles has been mastered, that, with a certain concentration of enterprises, an extensive process of specialisation and division of labour is going on. It is this process in the specialisation and division of labour, together with the increasingly greater variety of products, the necessity of co-operation between enterprises and their growing inter-dependence in expanded production, particularly in timely purchases of reproduction material of corresponding variety and

quality, that made it possible for the enterprises to settle different problems by themselves through the market without any interference from outside. Production orders and detailed central plans of distribution were not able to stimulate a rational use of all the available production possibilities. The dependence of the regular operation of the enterprises on the decisions of the administrative organs was found to check the development of the producers' initiative, and was a source of increasingly greater bureaucracy in business and in sharpening conflicts between the administrative organs and the producers. The transfer of some functions from the Federation to the Republics and districts, carried out in the years before the system of workers' self-government was introduced, was only a partial improvement, primarily in the relations between the administrative organs themselves, but it was not capable of solving the fundamental problems in economic relations and in the business between enterprises.

It is being asked how, under social self-government, it is possible to ensure a harmonised development of the productive forces and the structure of production and distribution as required by the political and economic aims of a socialist society. Since higher wages and larger funds for the development of enterprises depend, as a rule, on a larger volume of production and greater profits, it is evident that the enterprises and producers are interested in expanding production. The problem is to link the increase in wages, in reserve, investment and other funds of the enterprises, with greater productivity of labour, decreased production costs and more successful operation of enterprises on the market through greater variety and better quality of their products.

It is impossible, in the scope of this article, to go into all the elements and methods which enable one to grasp fully the market fluctuations and the subordination of the law of values to the realisation of planned development. I shall, therefore, only point to some of the characteristic trends. The planning organs and the associations of enterprises, together with different chambers, analyse the possibilities of the production and supply of individual groups of articles in relation to expected demands. The study of the structure of supply and demand in the last few years, the available technical equipment, and the realistic appraisal of the production capacities of new enterprises, as well as the volume and structure of imports and exports, serve as a basis to estimate the future volume and structure of production and market demands. These elements are used in assessing the future consumption of equipment, while in the field of personal consumption the expected demand is computed on the basis of consumption in the last few years, in which due attention is paid to changes in personal incomes and in prices. The other element by which society can influence the level and structure of demand and harmonise them with the expected supply is the mechanism of the financial system, which uses various instruments to direct one part of the profits made by economic enterprises to various economic and other funds and budgets and so affects their purchasing power and demand on the market. Another decisive element in the financial system, which affects demand, is the policy of granting credit by the National Bank.

First, the variety and quality of produced goods have been improving throughout the period of workers' self-government; the production of unprofitable goods has been stopped, and the losses of the enterprises thus incurred reduced. With a more rational use of amortization funds and with improved exploitation of the production capacities, the old enterprises, together with new factories, have since 1953 been increasing their production constantly (about 13 per cent a year). In addition to industrial enterprises, transport in particular, agriculture, too, has made some progress, especially in livestock breeding, although there were unfavourable weather conditions in the last few years. The volume of exports, particularly industrial exports, has been increased.

In relation to economic development, some observers have been pointing to certain negative trends, which are being said to be due to the system of social and workers' self-government and to its operation. In this, they most often mention the price increases in 1953, 1954 and 1955, Yugoslavia's deficit in the foreign balance of payment, the stagnation of agriculture and poor progress in advancing socialist relations in the rural areas.

Although it is true that these things have been taking place, and that some of them will persist for some time to come, it is wrong (and probably malicious) to say that they are the consequences of social self-government, of the market conditions and the alleged inability to work with the market law in full operation in Yugoslavia's social and economic system. The trends mentioned were the result of the inherited disproportions in production and the undeveloped productive forces, particularly in agriculture, where the situation was aggravated by a number of poor harvests. Our economy must root out such trends through the process of its development, just as every underdeveloped country has to do, but this process by itself produces new problems. Yugoslavia had to tackle the disproportions in production under exceptionally difficult international conditions. This is particularly true for the period 1948, when she had to stand the blockade of the East European countries and counteract it by a number of measures in the distribution of the national income, by changes in the already started programme of development and by a rapid reorientation of her foreign trade. All this had some negative consequences and produced new disproportions, some of which began to be felt sharply only in the last few years. Due to all this, the prices of commodities had to increase. Another reason for price increases was the fact that—owing to the necessity to concentrate our efforts on the completion of the basic industrial projects—we had to create additional turn-over capital in the economy.

We must mention that the entire mechanism of social self-government extends to the producer and to the working man all the possibilities to control, and to influence effectively, various matters in economic policy, such as personal consumption, budgetary expenditures and accumulations. It is the producer's duty to do this whenever problems of economic development are discussed, whenever the development of his commune, district or enterprise is considered, i.e. whenever problems affecting his own consumption and living standards are involved.

In such social and political relations, there are all the possibilities to settle, not only in theory, but in practice, too, the contradictions between the community as a whole and its individual parts—the Republics, districts and municipalities—without creating any upheavals or political complications. This is for two fundamental reasons: first, because the free operation of the market laws reveals more clearly the existing contradictions which can thus be hardly overlooked, and, secondly, because the working man, as the basic production force and the fundamental pillar of social and political life, tackles all such problems, no matter in what field and at what level of social self-government he encounters them and because he seeks solutions which improve his living standards at once and which create conditions for its constant raising in the future. It was only when the working man became the manager of economic affairs that the last vestiges of state capitalism began to be uprooted and the most important social and economic matter, his place and role in distributing the national income and in determining the use of accumulations, solved.

POLICY FOR SUGAR

THE sugar industry in Independent India made history last year by exporting a substantial quantity. This achievement has two-fold importance. In a phase of acute shortage of foreign exchange, it proves the possibility of devising positive means to mitigate the scarcity. What is, however, of much greater significance, it demonstrates a powerful element of dynamism in the industry.

This performance makes it expedient to change the conventional view in regard to the outlook for the industry in the near future. The conventional view assumes that the sugar industry will have achieved good results if this country attains self-sufficiency in output. A passive attitude of this kind appears to have been generated by the course of domestic production and total supplies over the period of the first Five-Year Plan. The overall position is tabulated below:

	SUGAR SUPPLY	(In lakh tons)
Year	Total Production	Net Imports
1951-52	15.84	Nil
1952-53	14.07	0.60
1953-54	10.40	6.93
1954-55	17.40	5.03
1955-56	19.60	Nil
1960-61	22.50	Nil

Total production includes cane factory production, sugar refined from gur and output of Khandsari. The only year during the first Plan period in which the industry received a great setback was 1953-54 when domestic output touched the low figure of 10.40 lakh tons. Output in 1954-55 jumped to 17.40 lakh tons, exceeding the original target fixed for the first Plan. Nevertheless, it is noteworthy that this impressive improvement had little impact on imports which were only 90,000 tons below the peak volume procured in 1953-54. Per capita consumption in 1951-52 stood at 7.18 lbs., which, although it was exceeded in some years during the war and post-war period, reveals considerable improvement over the pre-war state of consumption. At the present time it is estimated to have risen above 10 lbs., while the target prescribed at the end of the second Plan is 10.92 lbs.

Steady improvement in consumption is not only desirable but inevitable in the wake of an increase in per capita income. It implies the necessity of a fresh angle from which to approach planning for the development of the sugar industry. Rising consumption will make it imperative to ensure a corresponding rise in supplies. This, however, is not a straight function of planning for progressive output from year to year. Fluctuations in production cannot be eliminated in an industry which remains susceptible to the vagaries of nature. A period of depressed cane crop will compel resort to imports. This dismal contingency has created a narrow view that achievement of self-sufficiency over a period represents an optimistic approach. Here precisely lies a great error. Despite the experience of the first Plan period, it should be obvious that years of excess supply of sugar must be taken into account. To take them into account leads to the logical necessity of being armed with a policy for export. In fact a bold and realistic plan for the development of the sugar industry should aim at a programme of export.

Last year's experience is important for this reason. It redounds to the credit of the Indian Sugar Mills' Association that it not only undertook to organize the task of exporting sugar but carried it out on a no-profit basis. Four-fifths of the quota of one lakh tons earmarked for export has been disposed of already. Abnormal world prices have resulted in a profit of Rs. 20 lakhs which have been carried to a special pool to provide cover against possible losses in future. But it needs to be underlined that the Association had expressed its readiness to bear the burden of loss at a rate of Re. 0.25 per maund on its total production, if occasion arose. As a base for a long-term policy for export, for which a market can be developed in the neighbouring countries of South-East Asia, West Asia and East as well as West Africa, a positive set of principles ought to be evolved. Some of the proposals advocated at last week's annual session of the Association by its outgoing President, Mr. S. S. Kanoria, deserve careful attention.

Refund of cess on cane used in quantities of sugar actually exported can certainly improve the competitive strength of Indian sugar in the international market. The Centre will have to exert its good offices to persuade the State Governments to agree to this concession, if the U.P. Government's initial consent to it last year and its subsequent withdrawal on the plea that exports promised to earn a profit is a correct index of their attitude. This issue cannot be considered on an ad hoc basis, but it must take full account of profits and losses which are bound to recur. Sugar exporting countries usually levy a higher price at home or offer subsidies and aids in diverse ways to boost their shipments. An increase of 1 Naya Paisa per seer in the internal price of sugar will make a negligible addition to the retail price ruling above 80 Naye Paise. Mr. A. P. Jain, Minister for Food and Agriculture, seems inclined to consider this proposal in earnest. Other aids to exports are indicated in the direction of ironing out the anomalies of sales tax, simplification of the Central excise procedure and concessional freight rates as also relaxation of route restrictions by the railways for sugar in transit for export.

A dynamic policy for sugar requires clear and early decisions on these and other proposals. It would appear that the planned addition to installed capacity is not fully correlated to the projected expansion of cane output especially in Bombay and Andhra Pradesh. But the grievance voiced on behalf of the Association in respect of lack of balance in allocation of capacity as between expanding existing factories and new factories, or between Northern and Southern regions, is hardly borne out by facts and basic needs of the industry. Individual instances apart, it was a correct principle to adopt, in allocating additional capacity, to apply the test of national interest. The target of production prescribed for 1960-61 is 22.5 lakh tons which leaves an excess of about 4 lakh tons above the output in 1955-56. But installed capacity fixed at 25 lakh tons raises the margin of addition to 6.4 lakh tons. The major problem would be to achieve higher targets of physical output.

As many as 65 out of 143 factories worked for a shorter period than the normal duration of 140 days in the 1955-56 season. Stability in cane prices is highly desirable, but a switch-over to cane prices on the basis of recoverable content has proved a stubborn question. Shifting of uneconomic units from East U.P. and Bihar is partly a financial and partly a political problem. Mr. Jain's emphasis on repercussions of shifting on cane growers explains the Government's embarrassment. But these are difficulties which will have to be faced squarely. To the extent their solution is put off, expansion of output at full speed will also be delayed. The real flaw in the development policy for the second Plan is earmarking of a large share of 15.5 per cent capacity to co-operative sugar factories which have been leaning too heavily on continuous Government assistance from the start. Confidence is unlikely to be created that they can deliver the goods.

Economic Report from the U. S.

THE DEVELOPMENT FUND

(BY GUY SIMS FITCH)

WASHINGTON, April 9.—A new approach to the US Mutual Security Programme has begun to take shape. Testifying this week before the US Senate's special committee on foreign aid, Secretary of State Dulles proposed a special loan fund to finance economic development projects in other lands. This fund, in the Secretary's view, could over the years dispense up to $750 million annually. This will be in addition to limited grants in aid where loans cannot effectively be utilized.

Essentially, loans from the fund would assist specific programmes or projects for which borrowers are unable to obtain financing elsewhere. Thus, the fund would supplement the activities of such other lending institutions as the US Export-Import Bank and the United Nations International Bank for Reconstruction and Development. The loans also would meet certain other criteria: The projects to be financed would have to technically feasible and would have to give reasonable promise of contributing, directly or indirectly, to recipients' increased productivity. Beyond these points, few details on the operation of the proposed fund are now available. It is obvious, however, that the fund would tend to place economic aid on a long-term rather than the current year-by-year basis.

In the end, it might obviate the need for annual Congressional appropriations for this kind of assistance. Some observers believe that the fund, to be workable, would have to be set up for a minimum of three years. No precise estimate has been given as yet of how much money will be sought for the fund for the 1958 fiscal year starting July 1. Mr. Dulles told the Senators, however, that to be effective such a fund would have to start off with enough capital authorized for several years, to be renewed when needed. In a sense, the new US plan would place greater responsibility on borrowing nations by requiring them to work out economic development projects before applying to the fund for loans. But it is expected that US experts, perhaps from the International Co-operation Administration, would be on hand to help them draw up their development programmes if need be.

According to one official here, the proposed fund, by helping to promote viable economies, would enhance the security of all free nations, including the United States. At the same time, he observed, it should demonstrate beyond any question that mutual assistance remains a "reasonably permanent part of US foreign policy." To newly developing nations, and others which have yet to gain their independence, he noted, this holds out the assurance that they do not need to despair. The United States not only is interested in their economic well-being but will continue to do something about it. US economic assistance, he emphasized, would be carried out regardless of any military considerations.

A more detailed plan for the proposed development fund may be incorporated in a special mutual security message which President Eisenhower is expected to send to Congress in another month or so. Congress, if it accepts the new plan, could vote initial capital for the fund through direct appropriation, or it could authorise the fund to draw on the national treasury for a specified period of time. In any case, the consensus here is that the new plan would require a redrafting of existing mutual security legislation. Despite current Congressional efforts to prune the huge US Budget proposed for the 1958 fiscal year, officials are hopeful that the development fund proposal will meet with the approval of most legislators. This new approach to foreign economic aid, they recall, is based on extensive studies by both the executive and legislative branches of the US Government.

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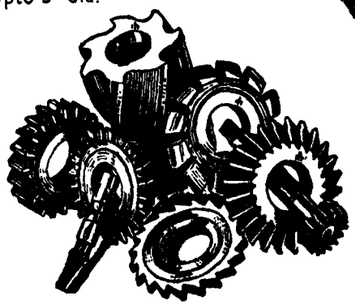


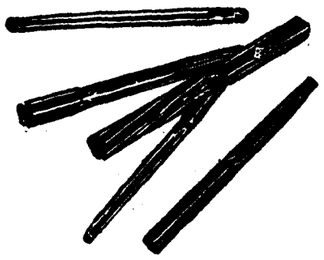
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The Business World

STRAINS IN THE TEXTILE INDUSTRY

By

CROESUS

TWO notable events in Bombay's textile industry which took place recently pose issues of deep significance to its future. There is one aspect that stands out as the most outstanding feature of the Phoenix Mills which celebrated its golden jubilee just recently. It is the extent of capital formation that has been achieved within just one industrial unit in the Private Sector, as reflected in the rise in its block account from Rs. 16.69 lakhs in 1905 to Rs. 72.45 lakhs in 1947 and to the more spectacular total of Rs. 155.86 lakhs today. It is noteworthy that, between 1905 and 1947, this increase in block took place without any increase in the capital of the Company; and even when the capital was increased, first in 1947 and then, again, in 1948, it was done not by calling upon the shareholders to bring in fresh money but just by capitalising the sedulously accumulated reserves and issuing bonus shares. If all this could be done without depriving the shareholders of their dividends, except only on two occasions in over two generations, and the workers of their just wages all these years and also after paying taxes to the Government of over Rs. 2 crores during this period, it is not a mean achievement by any means. I wonder whether, in the circumstances prevailing today, even this stalwart company will be able to repeat the performance. It is obvious that it is not so much the unwillingness of the private sector to help the country in capital formation that is responsible for the poor record in this behalf in the corporate sector last year, to which the Union Finance Minister has referred in the White Paper on the Budget 1957-58, as the unhelpful policies of the Government itself.

But to turn now to the next great occasion of interest to the textile industry of Bombay, namely, the annual general meeting of the Millowners' Association. I regard this as a great occasion, especially this year, not from the point of view of the proceedings, which always evoke country-wide interest by reason of this Association being the premier body of millowners in the country representing over 60 per cent. of the cotton mill equipment in the country, but because it marks the retirement of the Association's Secretary Mr. N. S. V. Aiyer after an association extending over 35 years and the appointment of a stipendiary Deputy Chairman, Mr. D. S. Bakhle, I.C.S. (Retd.). Incidentally, the latter office is a recent innovation, which has apparently come to stay, thanks to the increasing interference of the State even in the day-to-day affairs of industry. This development is significant, if only as an indication of the growingly complex nature of the work that industrial and commercial bodies are called upon to shoulder these days.

The two speeches made on the occasion of the annual general meeting of the B.M.A. those of Sir John Burns, the retiring Chairman, and of Mr Ramnath A. Podar, the incoming Chairman, were both thought-provoking, touching, as they did, on a number of problems pertaining to the mill industry—and this number seems to grow with each year. But the two problems which seemed to be uppermost in their minds, for understandable reasons, were finance (dealt with by Sir John and labour dealt with by Mr Podar).

It is not only the Government that is confronted with a financial problem but every unit of the private sector, more so the cotton mill industry. To quote Sir John, "the life blood of development in industry, be it in the public or private sector, is finance." Again, as he declared, "the opportunity of finding finance is going to be strictly limited by virtue of the fact that Government has already absorbed all, or almost all, that is likely to be available." This result is inevitable with parallel ownership of industry under a mixed economy, even in normal times, but, under a socialist structure of society with a planned economy, as we have in India today, it is certain and comes about quite early too. It is just as well, therefore, that the retiring chief of the B.M.A. referred to the remark in the Union Finance Minister's budget speech about "the inadequacy of corporate savings for financing the programme in the private sector" and expatiated on what has brought about this.

Sir John was not very happy either with the Government's proposals for purchase of machinery abroad being allowed only on extended credit. "Long-term credits", he said, "must make a considerable addition to the ultimate cost and ipso facto add, in due course, to the exchange problem." It is estimated that a seven-year credit may increase the cost by as much as 45 per cent. According to him, this is a very difficult exchange problem which everybody appreciates and which Government should tackle properly. For this purpose, the retiring B.M.A. Chairman suggested that the various commercial and industrial interests, bankers, finance corporations and any other interests likely to be helpful might be consulted to see if there are no other approaches to the problem, and possibly also to consider priorities.

How heavy the incidence of the excise duty has been was vividly brought out by the same B.M.A spokesman, according to whom "today excise calculated on the mill price of the variety of representative qualities of cloth varies (according to classification) from 11.5 per cent to 31.9 per cent and averages 24.8 per cent, an average increase of 11.2 per cent over August, 1956." In certain categories of superfine cloth, according to the same source, the incidence is as high as 38 to 39 per cent. But, perhaps the most convincing evidence of the heavy incidence of excise duty on cloth is that the total expected collection of excise on cloth in a year is as much as Rs. 75 crores. This apart, as Sir John pertinently observed, if the index of cotton manufactures in 1956 has increased by only 4.3 per cent, there is hardly any justification for an increase in excise by an average of 11.2 per cent over August 1956 and 14.9 per cent over December, 1955.

The imperative need to ensure industrial peace and higher productivity if the targets under the Second Five-Year Plan have to be reached was underlined by the new B.M.A. Chairman, Mr Ramnath A. Podar. In this context, he prefaced his remarks by saying that one of the many reasons for the produuction target assigned to the cotton mill industry being exceeded under the first Five-Year Plan was the prevalence of industrial peace during that Plan period. But, during the very first year of the second Plan, he pointed out, Bombay had lost a day's production in disputes concerning industrial matters; out of 49 strikes, he added, as many as 30 related to the question of bonus! But one hopes with Mr Podar that there will be no occasion for such stoppages of work in the coming years, in view of the Five-Year Bonus Agreement of March last.

But it is not merely industrial peace that is necessary; as Mr. Podar rightly pointed out, higher productivity also is essential. In fact, the second Plan says so explicitly: "improvement in wages can result mainly from increased productivity". No fairminded person can possibly countenance an outright increase in wages without a corresponding improvement in the effort of labour to give higher production.

It is not sufficiently realised that, even as it is, the gains made by labour far surpass those made by any other sector of the country's population. It is more to bring home this point than to parade the good work done to labour by the millowners of Bombay, I daresay, that Mr Podar referred to the important steps taken in 1956 to promote the social and economic welfare of the working class. No one grudges labour progressive benefits, so long as these are within the capacity of the industry to bear, but, when this is not so, to impose fresh burdens even without consulting the interests that would be effected thereby is, to say the least, unfair in the extreme.

TRADE MISSION FROM DOWN UNDER

By
CROESUS

WHETHER it is due to the successful implementation of the first Five-Year Plan, or the scope for increased imports of heavy machinery provided for in the second Plan, or the triumph of the ruling party in the recent General Elections thereby underlining the stability of the Government and the smooth and unhampered continuance of the overall economic and political policies, some of the advanced countries of the West have begun to evince a somewhat keener interest than hitherto in cementing and furthering the trade and commercial links with this country. This is clearly reflected by the fact, that in the wake of the American Trade Mission, which visited this country early this month, followed close on its heels by the Egyptian Trade Mission, a third Trade Delegation, this time from Australia, has arrived since.

The campaign to explore the possibilities of selling to India, among other things, machinery of a high technical order, which is in great demand in this country at the present time, inasmuch as it is engaged on the implementation of the second Five-Year Plan with a pronounced bias towards heavy industries, is quite understandable. While it cannot be denied that most of the advanced countries have been generally disposed readily to extend a helping hand to this country in its brave efforts to go ahead, as scheduled, with its ambitious Plan, it is becoming increasingly clear to a discerning observer that some at least of these countries are motivated by a more or less common desire to find a new berth in Asia, perhaps as a counter-move to the decision by some of the European countries to set up a European Common Market. An announcement from Rome on March 25, it may be recalled, stated that six West European nations had signed draft treaties establishing a common market. Thanks to these treaties, the six nations—France, West Germany, Italy, Belgium, the Netherlands and Luxembourg—have come under the protective shelter of a common market umbrella. As everyone knows, progressive reduction of the existing tariff and quota barriers is among the main advantages that member-countries of the Common Market hope to derive from this new move.

It is not unnatural for countries outside the orbit of the European Common Market, especially advanced countries like the USA, Japan, and Australia which are in a position to meet the requirements of India's developing economy, to seek for fresh outlets for their exportable goods by adequate preparations in order to be able to meet, on equal terms, a competitive onslaught from economically resuscitated Britain, Germany or France. But what is noteworthy is that the visit to our country of trade missions and delegations from these countries is only one of several indications that give one an idea of the way in which the minds of the more advanced non-E.C.M. countries are working about the probable future trend of world trade generally. True, many of the visits of these trade missions to this country, at any rate in the initial stages, are only of an exploratory character which explains why not much actual business has yet been possible or reported. But, then, a lot of spadework must needs be put in before the conclusion of actual trade agreements between India and the countries in question.

Presently, it has been the turn of Australia to sponsor a trade mission under Government auspices. That there is scope for a much larger volume of business than exists now between the two countries, especially in favour of India, is evidenced by the fact that India has been having a favourable balance of trade with Australia over the past five years, save for the year 1952-53. During the year ended March 31, 1956, for instance, Australia was India's fourth best customer, while, for approximately the same period, India ranked tenth among Australia's overseas markets. The trade balance in favour of India improved from a mere £A0.9 million in 1938-39 to £A11.3 million in 1955-56, while the peak level of trade balance in favour of India was even as high as £A30.9 million, recorded in 1951-52.

For the present, trade with Australia may appear limited in scope in view of the import restrictions currently prevailing, but, as a first step towards promotion of expanded trade between the two countries, when the need for such restrictions disappears, it is necessary to know more about all the goods that Australia could supply to India. Transport and communications, which account for nearly 30 per cent of the total outlay in our second Plan, seem to offer a very important field where there is need, as well as possibility, to import heavy machinery. As it is, Australia has been quite helpful to our country in this behalf, inasmuch as last year it undertook work on an order for 2,000 wagons for the Indian Railways. Australia is in a position, we are told, to make rolling stock of many designs for other industries besides Railways, such as mining, sugar, and timber industries. It would seem that several Australian firms engaged in this line have already marketed their products in India, Ceylon and adjoining countries. These products include, among others, road rollers, pneumatic tyred tractors, bulldozers and road graders.

Although Australia, till only the other day, was considered to be just a supplier of primary products, she has since developed her economy to such an extent that her secondary industry production now represents as much as 70 per cent of Australia's total output of goods. In view of this, it is only reasonable to share the hope which the leader of the Australian Trade Delegation expressed a few days ago, namely, that much value would be gained by an exchange of ideas and an appreciation of India's requirements under the second Plan. Our progress in the field of transportation, increased agricultural production, land utilisation, steel production, and heavy equipment manufacture has been rapid. The progress has been due to the development, through experience and patient endeavour, of special machines and techniques, which, we feel, may be of particular value in meeting India's current needs".

BUSINESS NOTES

ENGINEERING INDUSTRY: HARD TIME AHEAD

A GREAT strain is already being put, and a much severer strain is going to be put, on the capacity of the engineering industry. This is for two reasons. Delivery periods quoted by foreign suppliers are very long—12 to 18 months for fabricated steel and 18 to 24 months for motors and transformers. Drastic restrictions have been imposed on imports. But it is heartening to find that the industry in the private sector is determined to rise to the occasion. At last Friday's annual meeting of the Indian Engineering Association, the Chairman, Mr. K. J. Cleetus, gave unequivocal assurance of maximum effort. It is, however, urgent that Government should take action in certain directions to enable it to bear its onerous burden. Supply of steel has become very uncertain and hurried arrangements made by the Government for imports pose fresh problems. Continental steel, and particularly Russian steel, has created difficulties about specifications, weights, and so forth. Uncertainty has also bred speculation. The Chairman strongly pleads for a longer import policy of at least one year's duration.

The question of technical manpower has taken a grave turn. Scramble for personnel and the morbid practice of "pinching" and "pirating" of staff still goes on. The Chairman urges a balanced and comprehensive plan for technical education and issues a firm warning against the temptation to resort to short-cuts in disregard of quality and adequacy of instruction. The capacity of the private sector of the industry to offer co-operation in the matter of factory apprenticeship and shop training is being strained; but it is prepared to do its utmost to share future burden. The Chairman's attitude to the formula of one price for steel throughout the country on the railhead basis is healthy. He appreciates that it is intended for dispersal of industry and greater equilibrium in regional development. He feels confident, however, that the heavy and technically complex sections will continue to be localised at port towns. But he exhorts his compeers to shift subsidiary units in the interior towns to avoid possible duplication and ruinous competition in the future.

Mr. Cleetus' estimate of the effect of the awards of the Colliery Disputes Tribunal and the Appellate Tribunal on the element of transport cost for coal-consuming industries is based on miscalculation. His estimate is that the coal bill of the railways will rise steeply by Rs. 54 crores as a consequence of the wage increases granted in the two awards. On this assumption he draws the exaggerated conclusion that "when freights and fares are increased, there will be a general and universal rise in costs and prices all round". The Lower Tribunal's award has necessitated an increase of Rs. 3 per ton in the statutory price of coal and the increase due to the Appellate Tribunal's award is placed at Rs. 1-2 per ton. The two together will raise the cost of the 12 million tons of coal consumed by the railways by Rs. 4.95 crores. This is exclusive of the ad hoc increase of As. 6 per ton which will be necessary for two years to cover the cost of retrospective effect to be given to the Appellate award and may be placed a little below half a crore of rupees. This increase will be passed on to the railway users and is to be related to their total bill on account of passenger fares and freight rates at current levels expected to amount to Rs. 340 crores in 1957-58. This discrepancy apart, the Government need to heed the Chairman's warning that the price line must be held firmly to curb inflation.

INDO-US PARTNERSHIP IN PROGRESS

IT HAS been heartening to know from the officially sponsored US Trade Mission to India that not only would American capital be interested in almost all fields of industrial investment in this country, but also that "a very substantial amount might be invested." The investment would mostly be in the private sector, though American business interests would not be averse to joint participation even in the public sector, wherever possible. The leader of the mission, Mr. Forbes, who is also a senior officer in the US Department of Commerce, has further expressed the hope that the volume of Indo-American trade would be considerably increased in the coming years. Such pronouncements are particularly welcome at a time when this country is finding it increasingly difficult to see the second Plan implemented in its entirety and in time. As has been already stressed in these columns, the necessity for India to look more and more to the US for imports of capital equipment is increasing as a result of certain forces at work, not the least of which is the widening gap of balance of payments deficits with the OEEC countries which are our main suppliers of capital goods. Perhaps more important is the relatively lower capacity of the present suppliers to export goods to India under the deferred payments scheme which, under the existing conditions, seems to be inevitable.

The deferred payments scheme, however, has been explained by Indian authorities to be not so severe as was initially understood. The seven-year credit would apply only to such projects as are not expected to yield returns or earn foreign exchange in three or four years —such as power plant and similar other equipment. Where the potential of a project is to earn and save exchange, payments could be made earlier, though the first payments would be low. In the matter of trade, the setting up of the proposed independent organisation for pre-shipment inspection of Indian exports to America like mica, manganese ore and handicrafts, should go a long way in promoting such dollar-earning exports. Also, a wholesale sales organisation in the USA would eliminate delays between the placing of orders and their execution which is so essential for larger and smooth turnovers. It is to be hoped that early action will be taken to put in practice the decisions taken during the mission's tour. It seems that the time has arrived for putting an end to the suspense over a regular treaty for further accelerating the trade between the two countries.

WHY THIS DISCRIMINATION?

IF WHAT is sauce for the goose is also sauce for the gander, the Chairman of the Silk and Art Silk Mills' Association, Ltd., Bombay, Mr. D. N. Shroff, was fully justified in insisting on the rayon weaving industry being placed on an equal footing with the cotton textile industry. Apparently this does not seem to be so. The grievance of the industry would appear to be that, whereas it is placed on an equal footing with the cotton textile industry in the matter of taxation, excise imposts, industrial and development regulations, and social and labour legislations, it is not accorded a like treatment when it is a question of any benefit to the cotton textile industry or when some special provisions are made in respect of cotton yarn and fabrics.

The immediate provocation for Mr. Shroff's reference to this grievance was provided by the statements of Mr. M. C. Shah himself at Ahmedabad. A few days ago, it may be noted, Mr. Shah stated in Ahmedabad that a Bill was likely to be introduced in Parliament seeking to remove sales taxes levied in

States on cotton and jute, mill-made textiles, etc. and replacing them by a surcharge on the Central excise duties on these articles. One can appreciate the anxiety of the interests concerned at the omission of the rayon weaving industry in the list of industries the articles of which were specified as falling within the scope of the Bill in question, because such an omission would not entitle it to a much needed procedural relief, a relief which has been examined and found to be necessary (in the case of mill-made textiles) both by a Select Committee of Parliament and the Taxation Enquiry Commission, quite a while ago. The exclusion of rayon textiles from the proposed relief, as was pointed out by Mr. Shroff, would affect the industry adversely. He indicated how this could happen by referring to the common practice of dealers in textiles. His version was that as most traders deal in 90 per cent of cotton fabrics and only 10 per cent of rayon fabrics, if both the fabrics are not placed on the same footing, the dealers may not care to continue to trade in rayon fabrics undergoing all the hardships involved, and that in return for the poor returns available to them!

Mr Shah remarked that the State Governments could redress any grievances of the business community in respect of this tax. It is noteworthy that he also told them that he felt that the industry had got a good case and that, according to him, at any rate, their demand was just. He further assured that, if the State Governments referred this matter to the Centre and expressed their willingness to include rayon fabrics also along with cotton textiles for the purpose of the proposed procedural relief, the Government of India would have no objection to, or difficulty in, including this commodity also. In short, he seemed to suggest that the industry had first to convince the State Governments of the justness of its demand before expecting the Centre to do anything.

PROBLEMS OF JUTE TRADE

THE TWELVE months of 1956 have been rather disappointing for the jute industry. The main contributory factors to the disappointments of the year have been the lack of solid response from the overseas markets and the abnormal influence exercised on the price structure by the unusually firm jute market witnessed during the year. It was remarked by Mr. N. K. Jalan, Chairman of the Calcutta Jute Fabrics Shippers' Association, at the recent 58th annual general meeting of the Association that the most telling factor in an assessment of the trade during the year was the marked decline in shipments of heavy goods to Australia. For political and other reasons, the Far Eastern market, which once was so important to India now virtually lost. One keen disappointment which was felt was the paucity of eventual offtake by Russia, when it was almost certain that substantial orders would be forthcoming from that quarter. Indeed, it was largely on the understanding that a sizeable business was to be done with Russia, that the industry had agreed at the instance of the Government of India to increase its output in the early part of 1956. Eventually the total business put through amounted to only about 10,000 tons, and with no compensatory revival of demand from other sources, the mills were finally compelled to curtail their production once again, while shippers were left with a feeling of frustration. This need not be considered an entirely depressing picture because, as Mr. Jalan put it, "by sustained negotiation on the part of our Government, a rewarding business connection can still be established on behalf of the Indian jute industry."

Mr. Jalan is right when he says that the real answer to the industry's various problems seems to lie in lower prices for raw jute with finished goods prices stabilised at their present low levels. This seems to be the only way by which the competitive strength of the industry could be preserved. Lower prices for raw jute are essential to maintain the competitive strength, as now the infant jute industry in Pakistan has grown to a very respectable size.

So far as the futures market is concerned, it was pointed out by Mr. Jalan that a misapplication of the rules governing futures trading could well throw out of employment all those gunny dealers and workers, who at present constitute what is known as the "bazar." From that viewpoint, it is thought that the Indian Jute Mills' Association's standard gunny contract form should be excluded from the application of the Forward Contracts (Regulation) Act.

THE COTTON TEXTILES FUND: PROGRESS REVIEW

INDIA'S COTTON textile industry has not only the responsibility of meeting the clothing requirements of nearly 400 crores of people but is also expected to provide 1,000 million yds. for export purposes. The past hundred years' story of the development of this industry reveals that it has made steady progress since its inception and, what is more, that it is capable of much more. The development of the industry was particularly spectacular in the post-war years, when, apart from meeting the country's large textile requirements, both civilian and military, it earned valuable foreign exchange for the country's exchequer. Even now, in the context of our economic development plans, the progress of the textile industry is very vital not just to clothe the teeming millions and thereby help them raise their living standards, but also to earn foreign exchange for financing the Plan. To achieve this, however, requires a progressive outlook, technological improvement and reduction of cost, facilities of research in techniques of production, distribution, marketing, etc. abreast of times.

Among the various problems of the industry, the question of promoting exports is undoubtedly of the utmost importance. The authorities have to be complimented on the various measures that are being adopted by them to stimulate exports. Of these, the creation of the Cotton Textiles Fund Committee, which was established in 1944 by an ordinance, and which has been aiding export promotion, is perhaps the most notable. The ordinance (which was promulgated on July 8, 1944), it may be remembered, provided for the establishment of the Cotton Textiles Fund from the levy of a cess of 3 per cent on the ex-mill prices of all cloth and yarn exported. The activities of the Committee have been recorded in a brochure entitled "the Cotton Textile Fund Committee—its Growth and Development", just brought out by the Fund Committee. According to the brochure, "much work has been done towards achieving the twin objectives of export promotion and textile research". Among the important steps taken by the Committee in the direction of export promotion and textile research, particular mention may be made of the setting up of the Export Promotion Council and the introduction of a scheme of inspection "investing the use of ITEX Mark indicating the hallmark of quality". The quantity inspected in accordance with this scheme till the end of October, 1956 amounted to 11,45,837 yds. Apart from this ITEX scheme of inspection, which is voluntary in character and which is done at the instance of the foreign buyer and the exporter, a scheme of "factual inspection" has also been evolved, which, again, is vountary, and which is conducted at the instance of the exporter or the producer. The total quantity examined under this scheme amounted to 5,61,984 yds. at the end of October, 1956. The publication of the TEXPROCIL, to provide information to the exporters, and the establishment of four research institutes also deserve mention.

COMPANY AFFAIRS

INDIAN ALUMINIUM CO., LTD.

The year 1956 has turned out to be the most successful of all of the Company's working years with sales having gone up by 16 per cent from Rs. 366 lakhs in 1955 to Rs. 425 lakhs in the year under report. In the Company's own products, the percentage increase was still higher at 20 per cent, amounting to Rs. 345 lakhs as against Rs. 239 lakhs in the preceding year. Profits, after making provision for depreciation and taxes, have gone up to Rs. 35,79,225, a rise of close on Rs. 9 lakhs over the previous year's figure. Along with the sales and profits figures, payments to employees have climbed from Rs. 63 lakhs to Rs. 75 lakhs. In the case of taxes and other payments to Government, the amount of Rs. 26 lakhs for the year under review is about double that of 1955.

An interim dividend of 5 per cent on the ordinary share capital was declared during the year, payable in December 1956. With the final dividend of another 5 per cent, as recommended by the Directors, the total dividend amounts to 10 per cent on ordinary shares. On the preference share capital, the Directors have recommended a 5 per cent dividend for 1956, less income-tax.

Failure of power supply for a month and a strike lasting nearly two months—caused over a bonus demand—resulted in some loss in production at the Alupuram smelter which was offset by increased imports of aluminium ingots. However, the landed cost, without duty, was greater than the Tariff Commission's estimated price for the Company's ingot production which indicates that its competitive position in the world aluminium industry has improved. The Company has been trying and has achieved some success in promoting a trend towards a more diversified quality market for aluminium.

The first stage of the Company's current expansion programme, comprising the establishment of a new aluminium reduction plant of 10,000 tons annual capacity at Hirakud, and the expansion to 18,000 tons of the existing plant at Muri are expected to be completed by the end of 1958. Thereafter further expansion is scheduled to proceed, raising the Muri capacity to 30,000 tons. The Hirakud plant is also being designed in such a fashion as to permit easy future expansion to 20,000 tons or more. Work is going on to schedule with the co-operation of the authorities. Including additional working capital, the amount required for the current expansion programme is estimated at Rs. 8.63 crores. Of this, Rs. 3.2 crores has been raised by new shares and convertible loan stock issues, and the Company has plans to finance the balance by bank loans, undistributed earnings and depreciation reserves.

THE BUCKINGHAM & CARNATIC CO., LTD.

The accounts and the Directors' report of the Company for the year ended December, 1956, shows that the production of the mills has improved further. But the benefit thus derived has been more than offset by increased costs and reduction in selling prices. The increase in costs was mainly the result of higher dearness allowance to workers, of the order of Rs. 12 lakhs, and increased expenditure on fuel oil, by some Rs. 3.20 lakhs, due to additional excise duty introduced in February, 1956. Excise duty was again responsible for reductions in selling prices in order to offset the increase and maintain sales in overseas markets in which a substantial proportion of the Company's production is generally absorbed.

The financial result of the working has been a profit of Rs. 48,48,883 (some Rs. 7.50 lakhs more than the preceding year) after allowing Rs. 40,96,713 for depreciation, Rs. 21,33,081 for bonus to employees, Rs. 15 lakhs for taxation and Rs. 1,31,666 for contribution to officers' superannuation fund. To the profit has to be added a total of Rs. 9,23,882 from different accounts, making a total of Rs. 57,72,765. From this, payments have been made in regard to dividend on 7½ per cent cumulative preference shares for the year, absorbing Rs. 1,59,765, and interim dividend of Rs. 4 per share on the Ordinary Shares for the half-year ended June, free of income-tax, absorbing Rs. 7,13,912. The balance has been proposed by the Directors to be dealt with as follows: Provision for workpeoples' gratuity Rs. 20 lakhs; debenture redemption fund Rs. 5 lakhs; General reserve Rs. 11 lakhs; final dividend of Rs. 6 per share on the Ordinary Shares, tax-free Rs. 10,70,868. The balance of Rs. 2,28,220 is to be carried forward.

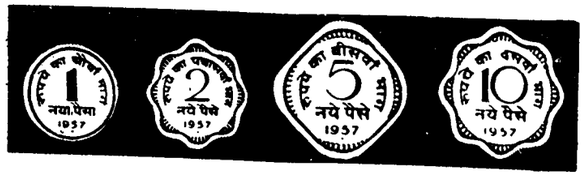
The amount set aside for depreciation has had to be increased in order to cover the charge on capital expenditure on buildings and machinery, and the amount represents the approximate income-tax claim for normal and shift allowances only. The relief from taxation on profits estimated to amount to Rs. 35.50 lakhs has been obtained through the operation of the allowances for development rebate, initial and extra normal depreciation for 1954 and 1955. An amount equivalent to the relief has been directly transferred from taxation reserve to the provision for increased replacement costs of buildings and machinery.

THE BANGALORE WOOLLEN, COTTON & SILK MILLS CO., LTD.

The Company's working for 1956 has been satisfactory inasmuch as both production and sales have registered increases as compared to 1955. Demand for Woollen and Cotswol fabrics of the Company has improved which has enabled it to make greater use of its installed capacity in these sections. Thus, after several years of losses, the woollen section has made some contribution to the Company's profits. In the cotton section, profit margins were slightly lower than in the previous year, which has been attributed to price reductions to offset the increases in excise duty.

The net result has been a profit of Rs. 27,63,582 (a little over Rs. 3 lakhs more than in 1955), after providing Rs. 17,59,884 for depreciation, Rs. 11.48 lakhs for bonus to employees, Rs. 29.75 lakhs for taxation and Rs. 75,000 for contribution to officers' retiring fund. Together with a total of Rs. 5,70,365 being the amount brought forward and provision made previously but no longer required, the profit amounts to Rs 33,33,947. From this, the Directors have made the following payments: Dividend on 6 per cent cumulative preference shares for the year, tax-free Rs. 36,000; interim dividend on Ordinary Shares of Rs. 10 per share, also free of income-tax Rs. 4.05 lakhs. The Directors have recommended the disposal of the balance as follows: General reserve Rs. 11 lakhs; additional provision for depreciation based on replacement costs Rs. 4 lakhs; Workpeoples' housing fund Rs. 3 lakhs; final dividend on the Ordinary Shares of Rs. 20 per share, free of tax Rs. 8.10 lakhs and carry forward Rs. 2,82,947.

The Company has made further progress with the programme for replacement of old machinery and plans are under consideration for the installation of new plant to improve efficiency and production. Finances will be required for this purpose and the Directors have borne this in mind while making proposals for appropriations.



NEW COINS
From 1st APRIL '57

Exact value in existing coins

10 Naye Paise—(1/10th of a rupee)—1 anna 7.2 pies
5 Naye Paise—(1/20th of a rupee)—9.6 pies
2 Naye Paise—(1/50th of a rupee)—3.84 pies
1 Naya Paisa—(1/100th of a rupee)—1.92 pies

The old coins, namely, 1 pice or 1/4 anna, 2 pice or 1/2 anna, 1 anna, 2 annas, 4 annas, and 8 annas, will be in circulation side by side with the new coins shown above. Four anna coins and eight anna coins are exactly equivalent to 25 Naye Paise and 50 Naye Paise respectively and may be used as such for all purposes. Both the old coins and the new coins will be legal tender in payment or on account.

CONVERSION FACILITIES

CONVERSION FACILITIES WILL BE PROVIDED AT THE RESERVE BANK OFFICES, BRANCHES OF THE STATE BANK OF INDIA, OTHER AGENCY BANKS AND TREASURIES AND SUB-TREASURIES.

NEW COINS WILL BE GIVEN ONLY IN EXCHANGE FOR EXISTING COINS OF A TOTAL VALUE OF 4 ANNAS, AND MULTIPLES THEREOF e.g. 4 ANNAS, 8 ANNAS, 12 ANNAS, ONE RUPEE ETC.

CONVERSION TABLE

The conversion table gives the exchange value in Naye Paise (rounded off in the manner prescribed in section 14 (2) of the Indian Coinage Act 1906 as recently amended) for amount tendered in annas/pies coins. The exact Naya Paisa equivalent of the total amount to be converted is rounded off by ignoring fractions of ½ Naya Paisa and below, and treating more than ½ Naya Paisa as 1 Naya Paisa.

EQUIVALENTS IN NAYE PAISE FOR VALUE TENDERED IN ANNAS/PIES IN ANY SINGLE PAYMENT.

Old Coins		New Coins	Old Coins		New Coins	Old Coins		New Coins	Old Coins		New Coins
Annas	Pies	Naye Paise	Annas	Pies	Naye Paise	Annas	Pies	Naye Paise	Annas	Pies	Naye Paise
0	3	2	4	3	27	8	3	52	12	3	77
0	6	3	4	6	28	8	6	53	12	6	78
0	9	5	4	9	30	8	9	55	12	9	80
1 Anna		6	5 Annas		31	9 Annas		56	13 Annas		81
1	3	8	5	3	33	9	3	58	13	3	83
1	6	9	5	6	34	9	6	59	13	6	84
1	9	11	5	9	36	9	9	61	13	9	86
2 Annas		12	6 Annas		37	10 Annas		62	14 Annas		87
2	3	14	6	3	39	10	3	64	14	3	89
2	6	16	6	6	41	10	6	66	14	6	91
2	9	17	6	9	42	10	9	67	14	9	92
3 Annas		19	7 Annas		44	11 Annas		69	15 Annas		94
3	3	20	7	3	45	11	3	70	15	3	95
3	6	22	7	6	47	11	6	72	15	6	97
3	9	23	7	9	48	11	9	73	15	9	98
4 Annas		25	8 Annas		50	12 Annas		75	16 Annas		100

Rounding off as has been done in the conversion table is necessary only at the end of a transaction when any amount due in annas and pies is to be converted into Naye Paise.

You can make payment either in new coins or in old coins or by a combination of both according to the coins available with you.

The conversion table is, therefore, to be used only at the end of a transaction when payment has to be made or change has to be given as illustrated in the examples below.

EXAMPLES : (Where the amount due is expressed in annas/pies).

For 12 articles, costing 1¼ annas each, the total amount due is 1 Rupee and 2 annas, the purchaser may give the entire amount in old coins,

or

pay 1 Rupee and 12 Nave Paise (the equivalent of 2 annas according to the table is 12 Naye Paise).

In the above example, the purchaser may tender 2 Rupees, all in old coins, and ask for the balance The amount to be given as change is 14 annas. This may be given wholly in anna coins or in new coins, or partly in old and partly in new coins. Let us assume that eight annas is paid in old coins and 6 annas is to be returned in new coins. Use the Conversion table to find the equivalent of 6 annas in new coins which is 37 Naye Paise.

EXAMPLES : (Where the amount due is expressed in Naye Paise).

An article costs 11 Naye Paise. One may pay this amount in new coins or in the form of 1 anna and 9 pies in old coins (the equivalent of 1 anna 9 pies according to the table is 11 Naye Paise).

If a person tenders 20 Naye Paise against 11 Naye Paise due, the change to be returned will be 9 Naye Paise or in old coins, the equivalent thereto namely 1 anna 6 pies.

For a payment of 11 Naye Paise, one may tender a 4 anna coin and ask for change. 4 annas are equivalent to 25 Naye Paise; the balance to be returned is 14 Naye Paise; this can be returned wholly in new coins, or in old coins, 2 annas and 3 pies according to the table are equal to 14 Naye Paise; one may give an anna coin (6 Naye Paise) and 8 Naye Paise in new coins.

It is not necessary to convert rates or unit costs expressed annas/pies into Naye Paise before working out the total amount payable.

EXAMPLES :

If 50 articles are purchased at 3 annas each, first work out the total amount in rupees/annas; You have to pay nine rupees and six annas.

If you have only Naye Paise with you, you find that six annas is equivalent to 37 Naye Paise. You accordingly pay 9 Rupees and 37 Naye Paise.

The result will be the same if you took the exact equivalent of 3 annas (18¾ Naye Paise) and multiplied it by 50 but it would be incorrect if you had taken the rounded off equivalent of 3 annas from the conversion table (19 Naye Paise) and then multiplied it by 50.

Similarly, if you buy from anyone a number of articles at the same time at different rates expressed in annas or pice coins, first calculate the total amount due in rupees, annas and pies. Apply the conversion table to the annas and pies in the total amount, if you want to pay in new coins.

You may simplify conversions by remembering that

4 annas .. .. 25 Naye Paise
8 annas .. .. 50 Naye Paise
12 annas .. .. 75 Naye Paise
1 Rupee .. .. 100 Naye Paise

EXAMPLES :

(1) To make payment of 10½ annas, you may first give 8 annas or 50 Naye Paise; the balance of 2½ annas is equal to 16 Naye Paise;

(2) To make payment of 36 Naye Paise, you first pay four annas or 25 Naye Paise, and then the balance of 11 Naye Paise by tendering 1 anna and nine pies. DA 56/250

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
August 1956 ..	397.0*	500.5	406.4	387.7	565.3*	418.5*	90.3	100.3	85.2	127.5
September ,, c ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.0
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	405.8	520.5	409.8	385.5	585.2	424.8	89.8	99.1	79.7	113.8
Week Ending										
26-1-1957 ..	399·7	533·7	413.1	386.6	588.6	425.8	89.8	99.4	80.5	115.1
2-2-1957 ..	407.0	527.0	412.9	386.9	588.9	427.3	89.8	99.1	80.1	114.7
9-2-1957 ..	405.2	523.7	412.5	386.9	592.9	426.2	89.8	99.1	79.9	114 1
16-2-1957 ..	407.7	517.5	407.6	386·0*	577.7*	424.2*	89.8	99.0	79.6	113.6
23-2-1957 ..	403.0	514.5	405.4	384·1	579.4	421.6	89.9	99.0	79.6	112.1
2-3-1957 ..	402 8	516.3	403.2	384.0	574.9	421·2	89.9	98.9	79.8	110.9
9-3-1957 ..	402·4	519.3	403.7	384.2	569.7	421 5	90.0	98.9	80.0	111.9
16-3-1957 ..	402.3	514.1	404.1	384.5	567.9	420.8	90.0	99.0	80.1	111.9

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956 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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	340	356	—	151	356	436	—	—	370	—	—	150
1957 January	339	355	—	—	354	436	—	—	372	—	—	149

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	29-3-1957			22-3-1957			15-3-1957			8-3-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	106 1	105- 2	105-12	105 14	104- 8	105- 4	106-10	105- 7	106- 9	105- 9	104-14	105- 5
Silver (per 100 fine tolas)	180- 6	174- 9	177-15	179 12	174-10	177- 8	179- 3	177- 9	178- 5	177-14	175-13	176-14

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	8,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	·,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
22 2-1957 ..	1,506,25	21,08	1,527,33	117,76	412,52	530,28	34.50	122,01	875,03	1,527,33
1-3-1957 ..	1,510,96	15,58	1,526,55	117,76	412,52	530,28	..	121,24	875,03	1,526,55
8-3-1957 ..	1,525,91	9,55	1,535,46	117,76	412,52	530,28	..	120,21	884,97	1,535,46
15-3-1957 ..	1,524,71	11,41	1,536,12	117,76	412,52	530,28	..	120,86	884,97	1,536,12
22-3-1957 ..	1,517,79	19,41	1,537,20	117,76	412,52	530,28	..	121,95	884,97	1,537,20

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1·72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1·57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1·71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3.35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2·37	6,77	76,72	5,06
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5.90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1.73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43.55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6 44	93,47	60,96	19,09
Week Enbing														
22-2-1957 ..	53,98	11,24	56,48	42,27	163,97	140,79	314,77	21,34	2,03	106,35	7,72	112,66	51,65	13,02
1-3-1957 ..	55,10	3,70	53,25	42,13	154,28	142,20	306,38	15,58	2,59	102,88	7,63	108,12	56,27	13,08
8-3-1957 ..	51,88	2,75	52,24	41,84	148,71	142,65	301,36	9,75	5,32	93,89	11,40	106,58	56,22	13,27
15-3-1957 ..	54,87	22,78	52,03	74,38	204,06	143,79	375,86	11,58	3,18	130,23	9,64	108,87	80,82	13,54
22-3-1957 ..	53,63	35,15	51,10	74,57	214,45	147,73	372,18	19,59	2,58	125,21	5,81	124,73	80,82	13,45

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
June 1956 ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July „ ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August „ ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September „ ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October „ ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	140,94†	69.35	373,01
November „ ..	645,84	457,42	1,103,26	36,36	50,64	7.99	601,41	162,79†	70.24	365,95
December „ ..	650,85	460,19	1,111,04	36,63	51,06	7.98	611,97	168,62†	71.07	365,11
Week Ending										
15-2-1957 ..	682,75	464,29	1,138,20	36,93	48,86	7.54	698,65	163,97†	76.35	350,20
22-2-1957 ..	694,52	467,08	1,152,76	36,77	51,92	7.69	695,57	161,89†	74.38	351,58
1-3-1957 ..	700,73	462,75	1,152,64	37,97	50,20	7.65	698,65	163,61†	74.81	350,25
8-3-1957 ..	706,01	464,25	1,159,55	36,84	50,56	7.54	701,12	164,90†	74.69	349,40
15-3-1957 ..	703,72	467,17	1,161,90	35,66	51,59	7.51	710,51	166,20†	75.46	348,96

* 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)
1953-54 ..	1,764,71	1,199,25	565,46	548,95	16,51	
1954-55 ..	1,920,63	1,311,77	608,86	599,16	9,71	−39,08
1955-56 ..	2,184,32	1,505,09	679,23	667,22	12,01	+126,65
						+263,69
January 1956 ..	2,094,21	1,407,67	686,55	674,12	12,43	
February „ ..	2,108,97	1,435,69	673,28	661,97	11,31	+47,06
March „ ..	2,184,32	1,505,09	679,23	667,22	12,01	+14,76
April „ ..	2,228,11	1,538,18	689,93	677,43	12,50	+75,35
May „ ..	2,225,97	1,539,66	686,31	675,69	10,61	+43,78
June „ ..	2,189,13	1,504,48	684,65	673,49	11,16	−2,14
July „ ..	2,147,90	1,474,28	673,62	663,32	10,30	−36,84
August „ ..	2,134,82	1,451,77	683,15	672,79	10,35	−41,23
September „ ..	2,109,41*	1,435,95*	673,46	662,92	10,54	−12,98
October „ ..	2,123,00*	1,442,52	680,48	669,64	10,84	−25,51*
November „ ..	2,151,46	1,462,01*	689,45	677,99	11,46	+13,59*
December „ ..	2,178,30*	1,486,45*	691,85*	679,89*	11,96	+28,46*
January 1957 ..	2,219,80*	1,509,61*	710,19*	699,42*	10,77	+26,84*
February „ ..	2,262,15*	1,523,38*	733,77*	721,98*	11,78	+41,50*
						+42,35*

* Provisional.

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

Source: Monthly Bulletin of Reserve Bank.

COMPOSITION OF TRADE

(In thousand rupees)

	IMPORTS 8 Months April—November		EXPORTS (Including Re-exports) 8 Months April—November	
	1955	1956	1955	1956
I. Food, Drink & Tobacco:				
Fish (excluding canned fish) ..	9,30	9,30	1,85,95	3,20,42
Fruit & Vegetables ..	4,83,56	5,03,61	11,00,00	13,05,67
Grain, Pulse & Flour ..	14,40,29	80,04	6,19,23	1,03,78
Liquors ..	95,87	1,07,15	4,56	2,81
Provisions & Oilman's Store ..	7,63,81	9,50,81	2,14,28	3,00,86
Spices ..	4,18,60	5,84,94	6,01,99	4,96,39
Sugar ..	2,85,67	21,13	62,10	61,20
Tea ..	17,06	6,94	64,47,14	91,69,14
Other Food & Drinks ..	54	1,13	1,35,55	5,12,35
Tobacco ..	1,17,63	76,51	9,63,48	11,44,76
TOTAL CLASS I ..	36,32,32	23,45,56	103,34,07	134,18,43
II. Raw materials & Un-Manufactured Articles:				
Coal & Coke ..	3	14	1,41,83	1,98,47
Other Non-Metalic Mining Product ..	5,16,67	4,27,46	6,76,74	7,44,23
Fodder, Bran & Pollards ..	25	1,24	1,36,02	3,24
Gums, Resins & Lac ..	1,22,85	1,12,39	9,28,24	7,44,26
Hides & Skins, raw ..	46,17	39,13	3,62,77	4,64,95
Metalic Ores & Scrap Iron ..	26,44	1,07,50	16,83,76	15,89,10
Oil of all kinds ..	33,76,17	39,32,52	26,15,63	13,35,54
Oil Cakes of all kinds ..	—	—	4,06,03	1,15,46
Paper-making Materials ..	1,49,62	1,80,73	84,02	35,33
Rubber, Raw & Crude ..	1,47,20	2,65,79	—	66
Seeds (including nuts for oils) ..	5,62,35	5,74,17	2,45,98	59,65
Tallow, Stearine and Wax ..	39,07	53,15	7,36	6,12
Cotton, Raw & Waste ..	35,56,66	32,14,06	24,62,71	10,90,07
Jute, Raw‡ ..	11,18,53	6,48,88	—	—
Silk, Raw & Cocoons ..	48,16	19,74	14,90	26,93
Wool, Raw & Tops ..	6,38,03	7,53,41	5,93,51	7,40,53
Other Textile Materials ..	81,03	5,34,44	96,62	1,12,87
Wood & Timber ..	1,83,27	1,99,54	88,85	1,03,00
Miscellaneous ..	2,61,45	4,23,75	5,60,48	5,48,99
TOTAL CLASS II ..	113,75,45	114,88,94	111,05,52	79,20,73
III. Articles Wholly or Mainly Manufactured:				
Apparel ..	37,25	30,64	1,68,63	1,63,25
Arms Ammunition & Military Medicines ..	1,80,97	1,75,42	2	12
Chemicals, Drugs, & Medicines ..	23,34,98	28,55,22	2,60,21	2,87,62
Cutlery, Hardware, etc. ..	15,21,99	18,25,21	2,33,65	2,24,19
Dyes & Colours ..	11,50,05	11,24,08	43,68	1,89,23
Electric Goods & Apparatus other than Machinery	9,47,15	13,90,17	33,81	37,50
Furniture Cabinetware ..	18,45	35,32	20,65	23,60
Glassware & Earthenware ..	1,35,29	1,55,38	13,07	14,17
Hides & Skines tanned or dressed & Leather ..	13,28	27,80	14,83,68	13,20,53
Machinery of all kinds ..	73,48,45	105,81,27	68,37	64,37
Metals—Iron & Steel & Manufactures ..	34,34,21	88,00,62	71,22	9,96
Metals other than Iron & Steel & Manufactures ..	16,37,04	26,17,26	1,05,46	94,78
Paper, Pasteboard & Stationery ..	9,98,42	10,27,39	56,15	82,07
Rubber Manufactures ..	38,46	1,75,75	56,21	19,03
Vehicles Excluding Locomotives ..	36,72,70	46,53,66	1,48,80	1,56,96
Cotton Yarns & Manufactures ..	2,83,58	3,90,68	42,19,59	40,20,60
Jute Yarns & Manufactures ..	28	36	83,31,36	79,51,76
Silk Yarns & Manufactures ..	3,00	7,77	19,76	22,18
Woollen Yarns & Manufactures ..	2,19,90	2,10,15	2,83,38	2,92,96
Other Yarns & Textile Fabrics ..	11,91,86	14,44,13	2,58,99	3,12,44
Miscellaneous ..	9,67,39	11,99,61	11,22,42	11,75,96
TOTAL CLASS III ..	2,60,39,69	3,87,27,89	1,70,78,43	1,63,11,43
V. Living Animals ..	6,31	6,30	39,48	76,15
V. Postal Articles & Baggage not Specified ..	1,92,03	2,96,00	2,40,19	2,29,92
GRAND TOTAL ..	4,12,95,80	5,28,63,75	3,87,97,66	3,79,61,57

‡ By land.

ESTIMATES OF POPULATION, NET NATIONAL PRODUCT, AND PER CAPITA PRODUCT OF 55 COUNTRIES EXPRESSED IN US DOLLARS

	Population[1] Mid-year 1953 (thousands)	Net National product at factor cost (million US dollars)	Per capita product US dollars)
		Average 1952-54[2]	
AFRICA			
Belgian Congo	12,154	850	70
Egypt	22,062	2,650	120
Kenya	5,851	330	60
Rhodesia & Nyasaland	6,708	670	100
Uganda	5,343	270	50
Union of South Africa	13,153	3,950	300
AMERICA			
Argentina	18,393	8,460	460
Brazil	55,772	12,830	230
Canada	14,781	19,360	1,310
Chile	6,437	2,320	360
Colombia	12,111	3,030	250
Cuba	5,807	1,800	310
Dominican Republic	2,291	360	160
Ecuador	3,464	520	150
Guatemala	3,049	490	160
Honduras	1,564	230	150
Jamaica	1,457[3]	260[3]	180[3]
Mexico	28,056	6,170	220
Panama	863	220	250
Paraguay	1,496	210	140
Peru	9,035	1,080	120
Puerto Rico	2,213	950	430
United States	159,643	298,530	1,870
Venezuela	5,440	2,940[4]	540[4]
ASIA			
Burma	19,045	950	50
Ceylon	8,155	890	110
India	372,000	22,320	60
Israel	1,650	770	470
Japan	86,700	16,470	190
Korea (South)	21,376	1,500	70
Lebanon	1,353	350	260
Malaya	5,706	1,770[4]	310[4]
Pakistan	79,330	5,550	70
Philippines	21,039	3,150	150
Thailand	19,556	1,560[4]	80[4]
Turkey	22,461	4,720	210
EUROPE			
Austria	6,954	2,570	370
Belgium	8,778	7,020	800
Denmark	4,369	3,280	750
Finland	4,141	2,770	670
France	42,860	31,720	740
Germany (Western)	48,994	24,990	510
Greece	7,824	1,720	220
Iceland	151	120	780
Ireland	2,945	1,210	410
Italy	47,551	14,740	310
Luxembourg	304	270	890
Netherlands	10,493	5,250	500
Norway	3,359	2,490	740
Portugal	7,990	1,600	200
Sweden	7,171	6,810	950
Switzerland	4,877	4,930	1,010
United Kingdom	50,611	39,480	780
OCEANIA			
Australia	8,815	8,400	950
New Zealand	2,047	2,050	1,000
Total of 55 Countries	1,325,684	590,120	445

1. Estimates obtained from the July 1956 issue of 'Monthly Bulletin of Statistics', Statistical office of the United Nations, New York. 2. Simple arithmetic mean of annual aggregate and per capita product estimates. 3. 1952. 4. 1952 and 1953.

THE EASTERN ECONOMIST INDEX OF INDIAN BUSINESS ACTIVITY

(Year Ended August 1939=100)

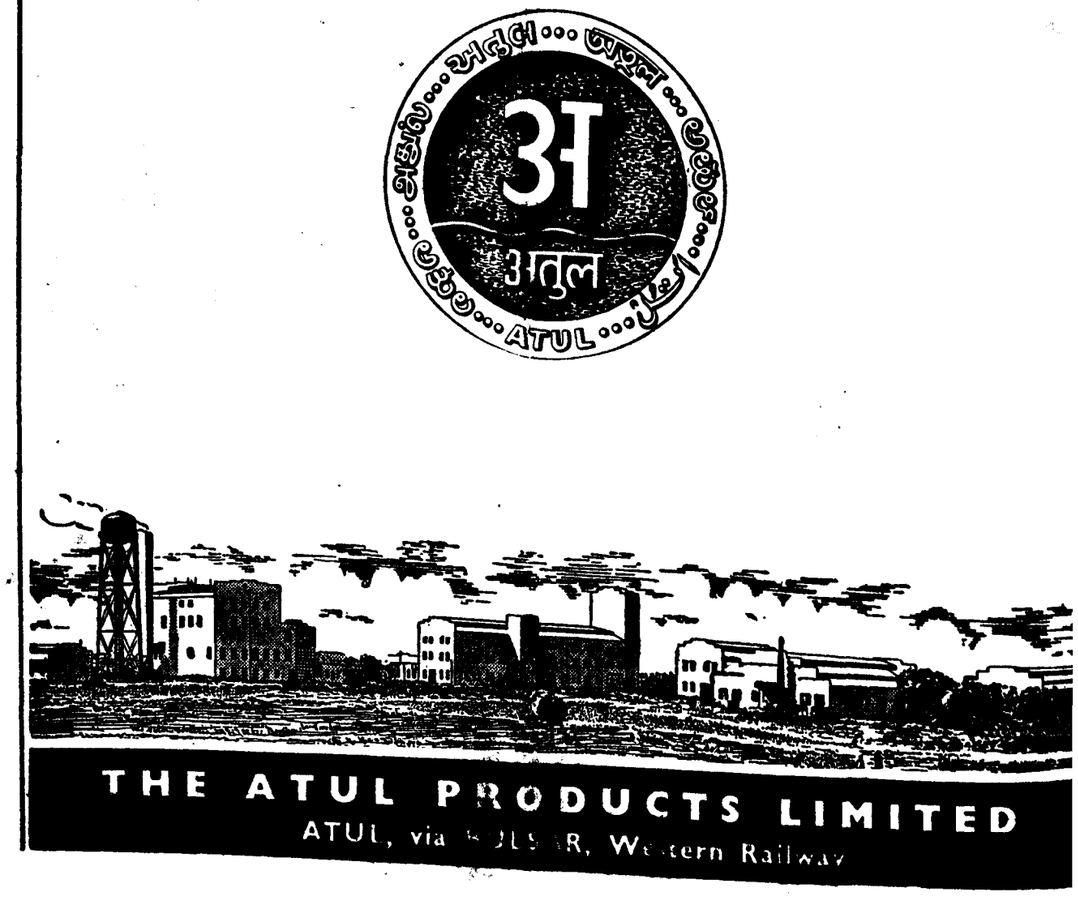
	Industrial Production	Imports	Exports	Merchant Shipping: Entered	Merchant Shipping: Cleared	Cheque Clearances	Notes in Circulation	Inland Transport	General Index
Weights	46	3	3	1	1	18	5	23	100
1939–40	110.3	95.2	100.3	91.1	91.4	101.8	97.9	102.9	105.2
1940–41	114.2	74.9	84.4	60.5	65.7	93.2	112.8	111.0	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	53.3	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	114.8
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 1955 ..	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	80.5	108.7	232.6	158.7	147.7
October ,, ..	161.6	93.6	76.0	96.8	76.0	96.3	232.4	164.8	143.0
November ,, ..	165.3	117.2	79.8	93.7	75.9	103.0	231.6	167.8	147.9
December ,, ..	176.6	108.3	85.3	97.7	81.6	108.9	233.4	188.5	158.3
January 1956 ..	156.4	111.1	72.2	95.6	83.3	86.2	233.2	180.7	141.6
February ,, ..	171.0*	127.7	81.2	111.6	118.1	110.8	234.8	188.6	154.2
March ,, ..	165.0*	134.5	95.5	103.7	109.3	109.3	236.6	207.4	158.8
April ,, ..	155.8*	108.7	66.7	91.0	88.7	104.0	244.3	166.4*	144.5
May ,, ..	176.7*	122.2	76.0	91.6	90.3	100.0	246.2	168.5*	152.4
June ,, ..	231.7*	114.8	75.5	94.9	83 6	91.4	238.2	162,6*	167.5
July ,, ..	178.6*	109.7	72.2	103.1	84.5	90.3	226 9	175.3*	150.7
August ,, ..	155.6*	120.0	82.8	85.1	73.2	85.8	218.0	169.6*	139.3
September ,, ..	171.3*	135.5	78.8	103.5	87.8	93.1	215.0	166.8*	148.5

*Estimated. ‡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.

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The Old Order

THE announcement of India's new Cabinet has failed to raise any substantial interest either at home or abroad. This matters little abroad where the character of India's Cabinet is so firmly identified with the Prime Minister that minor changes in portfolios or an additional member or two cannot suggest a change even in form. What is distressing is [illegible] manner in which the country h[illegible] return of what might be [illegible] respect, the old

brigade. It was widely believed that the Prime Minister would take this opportunity to record his response to the reverses in many States of the Indian Union revealing marked dissatisfaction with things as they are. How it was possible with the men at his command, and Congress Party political imperatives just what they are, to satisfy rebellious elements has nowhere been indicated. Nevertheless, the fact remains that the announcement of the Cabinet last Wednesday has caused deep disappointment. And there is justification for this view, at least in the negative sense, that it shows no added dynamism of any kind.

It is clear that in the senior-most ranks — or should it be pinnacles? — of the Congress Party the old order is not giving place to new. This is not merely because of the rising age, under the ravages of time, of the distinguished old guard. It is because in the younger ranks of the Congress Party talent and enterprise seem to be relatively small. Indeed, there are only two new names in the Ministers of State list which have attracted attention. These are the names of Mr. A. K. Sen and Prof. Humayun Kabir both clearly in time of full Cabinet timbre. But even recording with thanks their arrival, and that of Mr. S. K. Patil, a dynamo of energy on his own, one might record the view that policy, or even its discussion, has not entered on any new or inspiring note. The more Parliaments and Cabinets in Delhi are changed, the more it is underlined that they are the same accustomed thing.

This is merely a reflection of a solid political fact, namely, that all these Cabinets and, in a sense, the entire Congress Party in Parliament is a reflection of the unduly dominating position that the Prime Minister of India occupies in the Congress Party and in the Executive Government. So long as the Prime Minister is subject to the personal loyalties which it would appear he can nowhere abrogate, at least eight members of his Cabinet will have been chosen for him by, so to speak, personal pressures. Four of these — who shall not be named — are obviously essential in the current political or administrative situation in which we find ourselves. On the remaining four differences of opinion are possible. One might certainly hold the view that the Prime Minister would have done well to recognise in some high places that obsolescence of the mind to which he has not infrequently referred in recent months.

One major change which needs comment is the decision to transfer Steel from the Minister of Finance and place it with the new Ministry of Steel, Mines and Fuel. This is, theoretically, a sound decision in the sense that the Finance Minister as a controlling authority should not initiate his own spending. But, on the other hand, administrative niceties can on occasion go too far. If the financial situation had not become critical, there would be everything to be said for leaving Mr. T. T. Krishnamachari, whose great personal dynamism has made the Steel Ministry what it is, in charge of his own creation. It may also well be that, after the Finance Minister has weathered the present financial storm, his best services to the country could be rendered in his capaci Minister of Steel and of Commerce and Indus It was here that he displayed a degree of dyn ism which is notably absent in other econ affairs and, indeed, in a sense in the Governi as a whole. One cannot be too hopeful ab new Ministry of Steel which is obviousl more amateur hands.

What is disturbing is not merely the fac the same personalities figure again and ag different capacities, but that the mental buoy of the Indian Cabinet has tended to fall wit buoyancy in the Indian economic system whole. One notable field of deterioration the planning of economic policy, which sh be, in large part, the responsibility of the P ning Commission. There are rumours that members of the Planning Commission are sh to retire, and one of the vacancies may be unfilled. The problem is not, however, one numbers, but of quality. Recently, the Centr thinking and planning apparatus has fallen int some disuse; in a short while the Planning Com mission may be so enervated that its reason fo existence might even be questioned.

It is vital that the Prime Minister, failed to give a sense of dynamism to his C Government, should try to put the best tale the country into the Planning Commission. at least, he is not bound by political loyal any kind. The mood at the present time country is restive. In some part this restiv is not the fruit of mismanagement of our econo affairs, though of this, too, there can be, justice, some complaint. The real trouble s to be one of haste, pulling scarce resource various directions, some obviously unsound. one can look at the Budget for 1957-58 in d and not be alarmed at the many petty and alm inconceivably vague proposals on which sca rupee resources are to be expended. *The East Economist* will, in due course, and, particula at the time of the introduction of the Budget May, indicate where great economies can be c tained with substantially little effort. This the time to produce the determination and th will to apply the guillotine. There will be th time enough to determine where precisely should fall.

Rightly or wrongly, the impression exists the country that the determination to wrestle w the emergency is not very great; this v be reinforced by the form of the new Cabinet a by the pattern of expenditure in the 'Vote Account' for 1957-58 which is obviously beyo the country's resources at this time. Recentl Estimates Committee reports and Public Account Committee criticisms show a shockingly lax stat in the expenditure of public money in numerou Ministries of the Central Government. This ha done much to create the impression that efficien regulation of expenditure is totally lacking. Th country looks to the Finance Minister for t introduction of financial discipline which h steeply declined. On him depends far more tha appears at first sight. This Cabinet, as well as it predecessor, will be known by its fruit. Th verdict on its predecessor was severely qualif

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The Decimal: Some Bitter Fr

HE *naya paisa* has been with us these seven days—too short a period for the public derstand and accept the decimal coinage. not also unexpected that a big change of ind from the 64-paisa rupee to the 100-naya rupee would cause some initial confusion. confusion has arisen as much from the official of conversion of the old pice into naye paise tes which necessarily are not exact equiva- s on account of the rounding-off—as from the ultaneous circulation of the old coins in their erent denominations and of the new coins in ir different multiples of the naya paisa. The tinued circulation of both the old and the new ns in the scheduled transitional period of three rs would continue the confusion unless, of e, the period itself is shortened and tens of llions of new coins are minted expeditiously to eplace the old ones.

It is not clear why the Government should have added to this confusion by revising the postal rates in a manner inconsistent with their own version table. The revision has been unfortunate and unwise not for the rate increase in l lines but for the cue that others have from it. The postal authorities could very have stuck to the conversion table, and the ted losses of the Posts and Telegraphs Dent could have been made good by a suitevision of rates at the regular Budget in As they have not chosen to do this, they come to be rightly blamed for setting a bad mple for others to follow. The argument of Postal authorities is that the new rates have fixed under the Indian Post Office Amendt Act of 1956 which has been brought into e with effect from April 1, 1957. It is also lained that if there have been slight increases ome rates, there have been reductions in some ers. But unfortunately the reductions have been as well noticed as the increases, and it hese increases, legal though they be, that have me to affect other prices.

Other instances of price increases which are strictly in accordance with the conversion le are just coming to light in the wake of ised postal rates. The one common increase from 12 naye paise (the official equivalent of nnas) to 13 naye paise wherever the price of commodity or service is 2 annas. The Delhi te Transport Directorate and the Calcutta mway Company have re-fixed their 1, 1½ and nna rates for tickets at 7, 10 and 13 naye paise pectively as against 6, 9 and 12 naye paise of official conversion table. Restaurants are haps the worst sinners in this regard, having t up the prices of drinks and snacks to a greater xtent than the rounding-off justifies. Here in e capital the Annapoorna Cafetaria, to give one ample, has quietly raised the price of the onenna cup of tea to 10 naye paise and of the twonna cup of coffee to 20 naye paise without perotibly improving either quality or quantity. e Annapoorna cup of tea has thus ceased to be e cup that cheers" the poor man. Instances can multiplied to show that there is no disposition the part of retail traders to quote the naye paise ivalents of their usual prices in terms of the official conversion table. Where, according to the conversion table, the conversion of, say, 2 old pice (the exact equivalent of which is 3.125 naye paise) into 3 naye paise involves a loss for the trader, he is naturally inclined to quote 4 naye paise thereby increasing the price by 28 per cent. What is more, he stands to benefit from the official conversion rate itself, where, for example, 3 old pice (the exact equivalent of which is 4.678 naye paise) are to change for 5 naye paise, his gain in this case being nearly 7 per cent. In either case the consumer stands to lose, and that means some addition to his cost of living, for it is the retail end that is of relevance as far as he is concerned.

It is understandable that the retailer, with his small margin of profit, should seek to cut his losses, but obviously there can be no justification for his making a more-than-normal profit under cover of the decimal coinage. If the retail trader is not justified in taking advantage of the situation in this manner, there can be still less justification for the sales tax in some States being collected not in accordance with the rounded-off naye paise equivalents of the old pice but more or less in the manner of the revised postal rates. As the incidence of the sales tax is predominantly on the consumer, there is here another addition to his cost of living.

One wonders if the Government had a measure of the probable price increases well in advance of the latest currency reform. That any reform is, to some extent or other, a costly process, is well known. But it is also equally well known that most reforms affect adversely some sections of society while benefiting some others. The present currency reform, on the other hand, is virtually universal in its adverse effects. Even commercial organisations and business houses have to spend more on their postage. While the majority of people will thus stand to lose something (however small it may be) a minority alone will have gained something in the process.

This situation of initial price increase cannot, of course, be remedied, for it can hardly be expected of the sellers of goods and services to do what Governments at the Centre and in the States are not willing to do. It is inevitable that there will be a rise in the price and cost of living index numbers. The rise may be too small to unbalance the domestic budgets of the larger section of the public, but it may not be too inconsequential to upset the national budget. With the pressing need for holding the price line and reducing the inflationary pressures recognised by the Government, it is hard to see how they can be complacent about the situation. As far as the Central and State Governments are concerned, they should decide to stick to their own conversion table in all their transactions. That is the only obvious remedy, although it can only be a partial remedy in the present situation. For the rest, the possible reduction of the transitional period and the more rapid displacement of the old coins may greatly help in the process of settling down prices to a distinct level in terms of the new coinage.

The Wages of Railwaymen

THE National Federation of Indian Railwaymen celebrated Railway Week by renewing its offensive for an upward revision of the pay scales of railway employees. Its Working Committee which met at Ahmedabad adopted a resolution to this effect in terms that can leave no doubt whatsoever about the pressure it would exert on the Railway Board with this demand. More of it will be heard early next month when the General Council of the Federation meets at Moghalsarai. In sum, the Federation's case is that the problem of pay scales can be solved only by the appointment of a pay commission for the railways.

No one need be taken in by this plea and believe that the pay commission's verdict will act as a talisman. Even that verdict cannot offer a fool-proof solution and wipe out all traces of anomalies in the terms of salaries and wages. The possibility cannot be brushed aside that fresh anomalies will be discovered. The issue of railwaymen's wages has been complicated by various factors among which the integration of ex-princely State railways is one. A pay commission for railways with a specific term of reference for all-round upward revision of pay scales cannot but operate as a signal for wage pressures and set in motion a chain reaction. Trade union leadership at the level of the Railwaymen's Federation has chosen to subordinate national interests to sectional interests in disregard of the crying need for restraint at a critical time when inflation threatens to engulf the economy of the country. If an inflationary spiral is let loose on the railways, where will it be contained?

The Railway Ministry can hardly escape part of the responsibility for providing an impetus to wage pressures. It has chosen sometimes to put expediency above other considerations. There was in fact no justification for the haste with which the new scheme for increased emoluments as well as revised grades and promotion opportunities for certain categories of class III employees was announced on the eve of the last general elections. This reform was no doubt promised by the Railway Minister one year back. But the complications which it involved and the likely repercussions on other categories of employees surely called for a thorough investigation.

The scheme was declared without full assessment of its financial consequences and even the interim railway budget made only a tentative provision of Rs. 2.2 crores on this count including the element of retrospective effect. Accommodation which was shown to white collar employees invited prompt reaction from class IV employees and the Railway Minister had no alternative but to commit himself to the appointment of a special committee to settle their claims. The Railwaymen's Federation, while it denounces in one breath piecemeal settlement of disputes has adopted a significant strategy to accept and consolidate the gains obtained by this technique without relenting in respect of its pressures. Only in October 1955, having first won by agreement with the Railway Board the claim for retrospective effect to certain revised pay scales from January 1947, it put forward the demand for a pay commission. Its reiteration this week at Ahmedabad is part of the same strategy.

This does not, however, imply that the possibility of the demand for the appointment of a pay commission being pressed hard may be considered as ruled out. It is time the magnitude of overall pressures on railway finances was appreciated fully, not least by those who guide the destinies of the Railwaymen's Federation. The attenuated railway development plan is the minimum that must be executed if the second Five-Year Plan is to be saved from a genuine prospect of deadlock. The railways have been placed under an obligation to contribute Rs. 225 crores during the Plan period from the depreciation reserve fund and Rs. 150 crores from other resources meaning surpluses of current revenues. The first obligation will be met in full out of the appropriations to the reserve fund at an annual rate of Rs. 25 crores. There is not the same degree of assurance about the ability of railway finances to meet the second obligation. While it is true that railway earnings are rising due to the transportation of larger traffic, costs are rising faster.

The net gain or final surplus of the railways which can be applied for development expenditure will decline to Rs. 21 crores in 1957-58 as against Rs. 27 crores in the revised estimates for 1956-57. There is no escape from an increase in freight rates and passenger fares during the Plan period. But development, and not other claims like an overall increase in pay scales, has a legitimate demand on additional earnings. This is a supreme priority dictated by the exigencies of the allocation of resources for the railway development plan.

There is imperative need, therefore, to assert the principle that higher emoluments should be granted where they are earned by improved productivity. There is not only no evidence of an increase in the productivity of railway labour but this crucial criterion is usually overlooked. There is some vague talk about remarkable improvement having taken place in the efficiency of labour. It is unfortunate that this belief should have found acceptance in some high official quarters. Other expert evidence recorded at official inquiries has conclusively established decline. If it is the ambition of the railways to elevate themselves to the position of ideal employers, it will serve no purpose to ignore the essential truth that an ideal employer must have a counterpart in an ideal employee, if the vitality of the enterprise is not to be allowed to deteriorate. The extension of the system of payments by results to railway repair workshops has long been under consideration, but little that is tangible has emerged.

Over wide sections of railway operations, it is quite essential to introduce job analysis. Trade union leadership has no objection in principle to it, but its major embarrassment is that it would be difficult for it to carry labour with it in view of its serious apprehensions of retrenchment following job analysis. An assurance against wholesale retrenchment on this ground can be given since it is clear that railways will require increasing staff (and some of lower calibre) to meet the volume of expansion activity. A machinery for job analysis should not now be delayed to ensure that higher emoluments will be reflected in better operational results. This ought to be the primary test of improved remuneration.



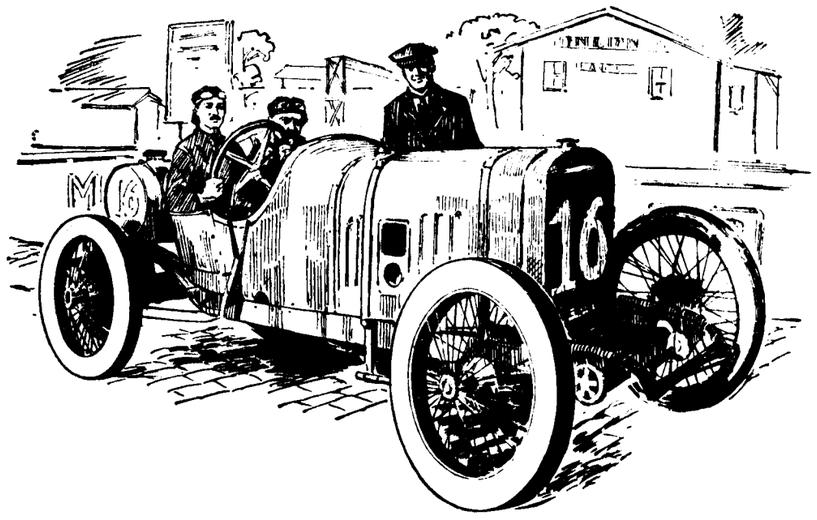
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THE WEEK'S NOTES

COMMUNIST GOVERNMENT IN KERALA

THE COMMUNISTS in India have made history. They have in Kerala, the smallest State of the Indian Union, come to power through democratic process. Their victory is significant in more than one sense. First, the victory repudiates the Marxian assumption that Communists cannot capture power except through a violent revolution; and, secondly, if the Communists succeed in giving Kerala's people stability and prosperity, they will add to their stock in other States, thus making India more vulnerable and exposed to Communism. Kerala is therefore bound to keep on itself attention not only of the rest of the country but of other countries as well.

The Communists have been able to form a government in Kerala in spite of a minority vote. Thanks for this should go to division among the democratic political parties. Democrats now can only hope that the responsibilities of office will instil in the Communists the sense of responsibility which they have not shown hitherto, and prevent them from pursuing reckless policies. Preliminary pronouncements of the leaders of the party do indicate realization of hard facts and consciousness of the new responsibility. The Communist Chief Minister, Mr. E. M. S. Nambudripad, has made no extravagant promises. The programme he has outlined hardly conflicts with the objectives of the Congress and the Praja-Socialist Party. While land reforms are to be undertaken on the lines laid down by the Land Reforms Panel of the Planning Commission, the Government is to be run within the bounds of the Indian Constitution. Mr. Nambudripad has of course promised introduction of agrarian reforms "within a short and definitely fixed time-table". But this promise is more propagandistic than serious, because there is no heavy concentration of land-ownership in Kerala. No scheme of land ceilings is likely to secure even the minimum of what is required to satisfy the needs of the landless.

The problem that may really test the acumen and resources of the Kerala Government most is the problem of middle-class unemployment. To solve this problem, Mr. Nambudripad has evidently considered the possibility of taking over some private industries. Such a measure, though within the provisions of the Indian Constitution, stems from an ideological bias against the private sector, and would probably be taken because of ideological considerations. Otherwise, why should not the capital funds the State may raise for taking over the private enterprises be utilized in supplementing that sector by establishing State-owned industries? Apart from other things, this would relieve unemployment in the State to some extent. Mr. Nambudripad's proposal for nationalization of plantations also does not seem to be in the national interest. It would be unwise to launch upon a policy of "expropriation" of foreign capital when the country is in dire need of it. Besides, India has much better use for her limited exchange resources than the payment to nationalized plantation companies.

It seems doubtful, however, that serious differences will arise between the Kerala and the Union Governments. Mr. Nambudripad has declared that if his Government's plea for nationalization is rejected, it would do no more than protest. Of course, his party will start an all-India campaign against the rejection. Through that device the Communists perhaps hope either to win a concession which would be good for morale, or, failing that, procure an alibi for the failure. This interpretation is reinforced by the fact that the Communists would like to utilize the opportunity which has come their way to build an impressive record rather than lose it through some precipitate action. They know that any success in the economic field, even of a limited nature, coupled with an improvement in the tone of administration, will add to their popularity and prestige throughout the country. And this could be achieved only if they managed to remain in power for a considerable length of time.

OUT-HERODING HEROD

AN IMPORTANT event in the capital this week was the annual conference of the All-India Manufacturers' Organisation. The session was notable for the inaugural address of Prime Minister Nehru who was at pains to explain the magnitude of the task ahead of the country in the implementation of the second Plan. "It is patent" he said "that the Plan puts great burdens upon us — greater than we imagined when we framed the plan". He went on to add that the next two or three years "are likely to be difficult for us and we have to pull ourselves up during these years". After this confession from the Prime Minister, one would have thought that the Presidential address that followed would have dealt with the prospects for the Plan based on unbiassed and objective appraisal taking into account the various difficulties that have cropped up during the year that the Plan has gone through. But Mr. Haji, in his address, however, allowed his enthusiasm to outrun reality. While no one would cavil at the Organisation offering its complete co-operation to the Goverment in the implementation of the Plan, obviously, there is no need to confuse patriotism with conformity to Government's views, when non-conformity in the shape of constructive criticism and dissent may in fact serve the cause of the country's progress with stability.

It is now patent that the difficulties that have faced the Plan even during its very first year have been due to the discrepancy between resources available and the targets set. The financial problem that looms large both on the internal and external components has thus set a considerable section of the intelligentsia to make a reappraisal of the Plan either for scaling down the outlay or for extending the Plan period after a realistic evaluation of the internal and external resources. The financial problem is a stark fact. It requires a practical solution, not platitudes. Mr. Haji was not only confident that the necessary resources could be found, but he took pride in the fact that his organisation had in fact advocated a larger outlay for the Plan. (Apparently this had fallen on deaf ears and one need not be sorry for it!) Whatever it is, Mr. Haji would have considerably strengthened his plea if he had gone to details and had explained how he intended to fill the resources gap. In foreign exchange, the gap is of the order of Rs. 400 crores plus Rs. 500 crores for price increase making a total of Rs. 900 crores. Mr. Haji suggested curtailing of imports, expansion of exports, increasing earnings from invisibles and obtaining foreign aid and foreign capital in a larger measure. These remedies have been recognized on all hands, but it has not been proved to the hilt that the gap is such that it can be filled. On the question of rupee resources again, Mr. Haji was not very helpful. He suggested that new techniques should be devised for tapping small savings, but these, even if they are successful, will only touch partly of the problem. The fact is that the Plan has exceeded its limits with regard to both its foreign and internal resources and it has to be squarely faced.

Mr. Haji in his address did well to deal with the concept of mixed economy. Mr. Nehru's assurance that the private sector "will have not only a very important

place, but a respected place in the context of the broad policies that we pursue" is, of course, heartening. If this assurance is followed by concrete steps to allay many of the fears of the private sector, it will certainly go a long way in the "co-existence" of the two sectors to their mutual advantage. What the private sector needs is sympathetic treatment of its needs and assurance of proper incentives.

IMPORT OF AMERICAN ARMS AID

FOLLOWING fast on the statement of Mr. Chester Bowles made before the U.S. House of Representatives Foreign Affairs Sub-committee that the American arms aid to Pakistan had produced an arms race in the neighbouring countries, Mr. Ellsworth Bunker has come out with a strong refutation of this view. There was, however, not much spectacular in what Mr. Bunker said. By and large, he was corroborating what has often been stressed by the highest authorities in the USA that the aid was essentially of a limited nature, given on the strict understanding that the arms thus received by Pakistan would be used for no purpose other than checking Communist expansion in this area. In the event of Pakistan's misusing them, the supplies would be stopped forthwith. There is no reason to doubt the genuineness of these intentions and this has been admitted on several occasions also by Indian spokesmen. What is, however, not free from doubt is whether the declarations and warnings issued by the American President and the Secretary of State against the possible misuse of arms will be really adequate deterrents. In the main, a cutting out of further supplies can stop an increasing misuse but there is hardly any sufficient guarantee, at least for those who cannot look at the arms from the butt-end, against their being used at all. Is not France, it is being asked, using the NATO arms in her war against the Algerian Nationalists?

Mr. Bunker has no doubt done well to clarify the official position, but the former Ambassador has given his interpretation of the situation as he saw it. There are few people either in America or in India who would not acknowledge Mr. Bowles's intimate understanding of India acquired over a fairly long period of assignment in this country. His recent tour through India, Pakistan, the Soviet Union, etc., must have enabled him to refresh his knowledge and feel the pulse of people in these countries. The essence of his reading of the present position is that the large-scale military aid to Pakistan has created suspicions leading to strained relations between the countries in the area. In turn, this may drive some to devote larger funds to military allocations at the expense of productive outlays; and already there have been such disturbing developments in India. Another former Ambassador to India, Senator Cooper, has also expressed a similar fear. It would be unfortunate if the same instrument, conceived and designed as a strategy against the threatening Soviet expansion, should help in slowing down economic defences against Communism. There is need to arrest the growth of this risk which appears to call for rethinking on the arms aid policy.

A NECESSARY COMPROMISE

AN AGREEMENT has been arrived at between the British Government and Singapore's "Merdeka" delegation, led by the Chief Minister, Mr. Lim Yew Hock, on the future political structure of the island, under which, while external affairs and defence will remain in British hands, a security council will look after Singapore's internal affairs. It was, it may be recalled, on the question of composition of the security council that last year's parleys foundered. Now it has been decided that the security council will consist of seven members—three representatives of Britain, three of Singapore and one of the neighbouring Federation of Malaya. But Britain retains the right to suspend the constitution, on any one of the two following grounds: deterioration of internal situation threatening "the security of Singapore" or "violation of the Constitution by the Singapore Government". Appreciation of whether the situation demands the exercise of this right will be determined exclusively by Britain. The possibility of the suspension of the constitution is not merely academic. In this connection it may be as well to recall the manner in which the Chhedi Jagan Government of British Guiana was summarily dismissed. That Government's "crime" was refusal to subserve the imperial power.

This was evidently not considered sufficient to make mockery of the term "self-government". Britain has also retained supervisory powers over Singapore's trade and cultural relations. The plea put forward for retaining these powers is that so long as Britain remained in charge of external affairs generally, she was responsible for international agreements entered into by the Singaporean Government. But this is not all. The British Government has also laid down the proviso that "subversive persons" should not be elected to the new State's first Parliament. This restriction, which was imposed on the five-man delegation at the final session, is, to put it very mildly, a departure from democratic practice. It would hardly be an exaggeration to say that the constitution offered to Singapore, after a month of discussion, is worse than the Government of India Act of 1935. It will very probably engender numberless frictions, as did the Government of India Act in this country during the days of provincial autonomy.

It must be admitted, however, that in the circumstances of Singapore the dyarchical system may have been inevitable. The island colony is neither economically viable nor sure of its political stability. In Singapore, even more than on the mainland of Malaya Peninsula, Chinese immigrants, who constitute 30 per cent of the island's population, have dubious political affiliations. Many of the trade unions are under the control of pro-Communists. Also, Singapore has been selected as the major base for SEATO; as such it can hardly be left exposed to Communist subversion through infiltration.

Perhaps the most suitable out of the complex situation would be Singapore's merger with the Federation of Malaya. Tengku Abdul Rehman of Malaya has been resisting the idea hitherto, for fear of the large Chinese element in Singapore. In the circumstances, Singapore cannot do more than accept the agreement. On its own, the island cannot provide for continued independent existence. The agreement is perhaps the only way out of Singapore's dilemma for the time being.

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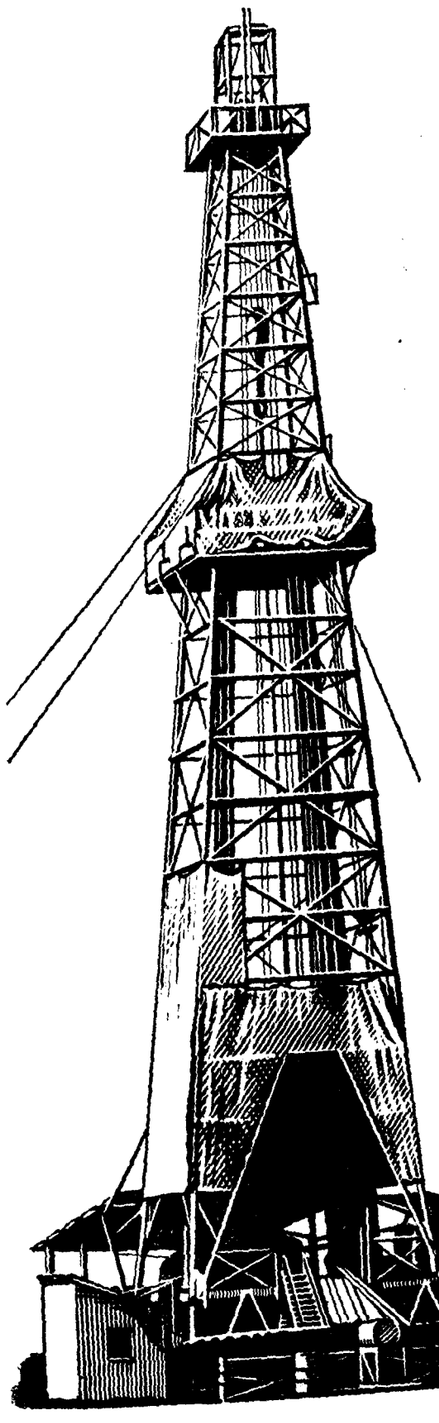
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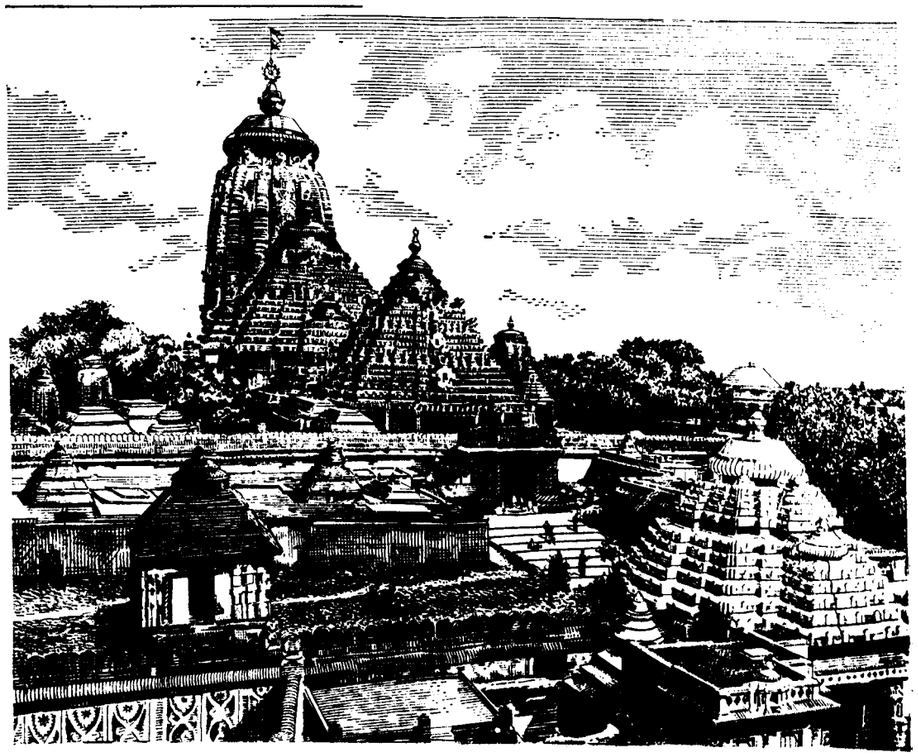
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A Window on the World

WHAT WILL THE MASSES READ?

By

ODYSSEUS

ONE OF THE ESSENTIALS for preserving individual liberty, warding off bureaucratic abuses and the tyranny of a police state, is a press that is independent, fearless, informative, and responsible.

We considered evidence last week, taken from "Journalism in Modern India" (Asia Publishing House. 1953), that while the Indian press maintains a high average of informative reporting on politics, industry, and other important public affairs, "these admirably solid dailies" (in the words of "Journalism in Modern India") are "perhaps a shade timid in dealing with delinquencies in public life. There is a natural feeling against 'letting the side down' and equally natural aversion to incurring governmental displeasure". Our witness explained this hesitation to criticise powerful figures or bodies in public life by pointing out that it is not always easy for those with inadequate finances to disregard consequences. The inadequacy of the finances of the Indian press arises from their small circulations which mean low advertising rates and revenues.

By way of contrast, we next put in the witness box Francis Williams, former editor of the Socialist 'Daily Herald' of London, whose new book "Dangerous Estate" (Longmans. 24 sh.) is an outstanding study of the British press. Mr. Williams shows that Britain's 54,000,000 people buy 16,000,000 copies of the daily national morning papers and 30,000,000 of the national Sunday papers. Advertising rates are correspondingly high. The British press is financially strong. It is therefore politically independent and fears no man or institution. But the reverse of this medal is that only 3 per cent of Britons buy the serious, responsible national dailies, like the 'Times' and the 'Manchester Guardian', which seek to inform and to give a considered lead to public opinion. The British masses read newspapers which feature sex, crime, and political muck raking.

The mass circulation popular papers grew up as literacy came to the millions. It is but a question of time before this happens to India.

As Indian literacy rises, will Indian Daily Muck Rakers begin to multiply? Would that matter or not? What can be done about it? Is there no alternative between a press seriously informative but too inadequately financed to be courageously independent and a press afraid of no one but irresponsible in its politics and whose main preoccupation is to deprave public morals?

TWO KINDS OF READERS

The first fence to clear out of the way is this: Those who think up these questions are people of education and taste, serious citizens, like you and me. We turn to our 'Hindustan Times' every morning with genuine curiosity, often with anxiety. What, we want to know, is happening to the Five-Year Plan? Will inflation following Egypt's closure of the Suez canal defeat it? What is Pandit Nehru's attitude to Soviet interference in Hungary's internal affairs? Why is so much foreign opinion critical of India about Kashmir? Will the formation of a Communist government in Kerala cause repercussions that could modify India's foreign policy in any way? To us, these are all questions of eager interest.

But put these questions to the man behind the counter in a shop, to a pan wallah, tonga driver, to the policeman on point duty. Go further into villages and put them to all and sundry. The overwhelming majority of people in these walks of life have the most garbled notions of these problems, if indeed they have heard of them at all. They are just not interested in them. No bigger mistake could be made than to suppose that if you were to prohibit the publication of "popular" newspapers, the masses would automatically subscribe to 'The Hindu' or 'The Times of India'. They would simply never look at a paper at all.

The present circulations of India's newspapers are small because only 14 per cent can read. Of that 14 per cent, only a minority reads regularly and with ease. Of the remainder, a still smaller minority are people of sufficient breadth of vision to worry about inflation, or the building up of Chinese power along the Himalayan frontier.

We highbrow university graduates who worry about the universe are too prone to feel condescension or contempt for those who do not share our interests. This is intolerance. I happen to be passionately interested in Bharat Natya but I do not see why anyone else should be compelled to share my enthusiasm, and I would protest if people who spend their leisure watching cricket promoted a law for universal compulsory attendance at Test Matches.

As the Indian literacy rate rises, the number of those who want to read about serious matters will rise slowly (as it has in the UK, where as against 1 per cent of a population of 38,000,000 who read serious papers in the 1890's, today the rate is 3 per cent of 54,000,000), but the numbers of those who can read but who are not interested in life's problems will soar, and enterprising newspaper editors will study the tastes of the masses and achieve huge circulations by publishing what interests them.

FRUSTRATIONS AND DAY-DREAMS

Very well, then, what does interest the masses?

The masses all over the world lead, for the most part, hard, drab lives. Psychologists explain that each individual is equipped with basic instincts, such as hunger, sex, and the assertion of personality. In order that these instincts shall be used in a socially co-operative way, the tribe, clan, caste, or state, sets up a system of social sanctions, rewards and punishments. This works in a rough and ready way but causes innumerable frustrations to the individual. The educated man has many ways in which he can work off (or sublimate) these frustrations—the whole range of intellectual interests, social activities, and the arts.

As we near the average level of the masses, the working off of these frustrations takes less refined and

indirect forms and we get nearer to the actual instincts themselves. One easy way of half satisfying a frustrated instinctive urge is to day-dream of its fulfilment. Now, the two matters on which society sets the strongest and strictest rules are sex and the observance of the current moral code in honesty, truth-telling, and so on. Here the greatest frustrations arise. Which is precisely why the mass circulation papers specialise in day-dreams about sex and crime.

I do not think that we ought to recoil in horror from this without further thought. After all, many educated people enjoy detective stories and thrillers, and as for sex, the highest ranges of literature are concerned with it—Kalidas' "Shakuntala", Shakespeare's "Romeo and Juliet"', Racine's "Phedre". Of course, the bulk of literature does not attain these levels and next to them Elinor Glynn's "Three Weeks" looks the watery soup that it is—but that does not necessarily make it harmful. I do not see why newspapers should not exist to provide the masses with innocent romance and success stories, on levels comprehensible to them.

The root of the problem is where and how do you draw the line between innocent romance and pornography? At the present time, the law on this subject is nonsensical. That is obscene which a magistrate decides would be liable to corrupt the minds of those into whose hands it might fall. This law sends policemen scouring through books to find passages or words which might corrupt, irrespective of their context. But the context is all important. Any ordinarily intelligent person sees at once whether an author is seeking to depict life with such artistic integrity as he has in him or to write up a "slice of life" with intent merely to arouse the senses. Under the existing law, Havelock Ellis' "Studies in the Psychology of Sex" were banned for years, whereas scores of pernicious novelettes could be bought at any bookstall.

The UK is on the way to rectify the law now. A bill making the author's intention the test of obscenity is before the Commons. It is to be hoped that this important Bill will be studied in India.

Another way of half satisfying frustrated desire is by indulging the sense of grievance. This explains why the mass circulation papers devote so much space to stories written in a high scream of indignation. "Radical muck raking", as Francis Williams calls it, helps to make the small man feel that he has a powerful paper campaigning for him and exposing the conspiracies of all the clever ones in established society who are engaged in doing him down. "Journalism in Modern India" makes a relevant distinction here: "The exposure of corruption and the unmasking of fraud is a legitimate and highly praiseworthy activity for a newspaper. It has been done, time and again, with bold efficiency and great effect both in the USA and in Britain, and it would be a purblind optimist who would deny scope for such investigation and writing in India. The danger lies when a new 'revelation' has to be found once, even twice, weekly; when facts are replaced by hearsay and when the same political bias can be seen in every new disclosure".

In a final article next week, we will, taking into account the solutions advocated by the Indian Press Commission of 1953, try to reach conclusions on the several questions that we have raised and left unanswered.

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EUROMARKET AND THE OUTSIDERS

(From Our Special West European Correspondent)

PARIS, April 14.

WHEN one writes from within any of the six countries that are destined to form the European common market (Euromarket), one finds it very difficult to take seriously the prospect of an early or extensive fruition for this scheme for a West European free-trade zone. But once one sets foot outside those six countries, one finds that this prospect is taken very seriously indeed, and that the dangers it holds for Euromarket's neighbours and trading partners are regarded with considerable apprehension. This contradiction, I confess, has been reflected in these letters in recent months. When I have written of Euromarket from Paris, it has been with some reserve, not to say cynicism. But last week, writing from Madrid, I reported that in Spain there is much anxiety about the damage that country's exports may suffer from the common market of the Six of Messina. Moreover, Odysseus's faithful readers will recall that, earlier this year, my Parisian doubts about free trade in Europe called forth an optimistic blast from London. Why is it that on the Continent, where people want a free-trade zone, very few believe that Euromarket is going to work—whereas outside, where people are afraid of the consequences for themselves of a European customs union, there is a widespread belief that Euromarket is going to work only too well?

Paradoxically, the answer to both halves of that question is the same: there is a conviction that trading conditions in Europe are going to worsen in the years immediately ahead. This prospect makes the Continentals themselves very dubious about the chances for a reduction of customs barriers between their six countries, for obviously as trading becomes more difficult each country will be less ready to make the concessions to its partners that are required to make Euromarket a living reality. But their neighbours and trading partners (hereinafter referred to as the outsiders) fear that the Six will be obliged to go some way towards union by their treaty commitments, and that, if trading conditions worsen thereafter, they will tend to emphasise the protectionist aspect of Euromarket to preserve their trade from the outsiders' competition. The danger that the six Continental partners will use Euromarket as a grand protective device in a period of poor trade has already sown panic all the way from Scandinavia via Britain and Spain to Latin America—in short in every country where trade with the Continent represents a substantial percentage of exports.

The matter concerns India as one among the many outsiders. True, the Continent does not absorb a major part of India's exports, but still it absorbs enough to matter in a possible period of poor trade. And the inclusion of the overseas territories in Euromarket means that tropical and colonial produce, such as India exports, will henceforth have favoured access to the Continent if it comes from the colonies of France, Belgium and Holland, and to that degree similar produce from elsewhere will be discriminated against. Finally, the question concerns all the members of GATT, who will be called upon to discuss it later in the summer in Geneva, and in particular the dangers Euromarket represents for the outsiders.

Within the territory proposed for Euromarket, one is surely entitled to some cynicism about free trade when the French Finance Minister in the same week holds out before Parliament the advantages of a partial customs union and soon after, in another speech, says the franc is so gravely endangered that he is launching a "Buy French" swadeshi campaign. The German Government describes the multiple benefits of freer trade, while one of its Ministers inadvertently touches off an acrimonious dispute about currency values, in the course of which the German press says the franc is artificially over-valued and the French press returns the compliment. The British sing the praises of a free trade zone based on Euromarket while they concert with the French plans to resist a lowering of tariff barriers that is to be proposed at this month's GATT meeting in Geneva. Meanwhile both the pound sterling and the franc continue their secular decline, which has dipped at a steeper angle since the Suez war.

These circumstances scarcely constitute a favourable background for a grandiose scheme for freer European trade. Admittedly, it is almost certain that all six Parliaments concerned will ratify the Euromarket treaty during this summer. But the proof of the treaty is in the application, and the doubters assume that the many escape clauses and the long period of gradual introduction (15 years) will be fully exploited to put off the birth of Euromarket till doomsday.

This hopeful prospect (hopeful from the point of view of the outsiders) has been enough to cause the outsider opposition in GATT to abandon plans for a veto of Euromarket when the treaty is submitted for approval this year—apart from the fact that such a veto would endanger GATT's own future by losing its support in Continental Europe. The outsider opposition proposes to concentrate its resistance not on the treaty itself, which will probably be approved though with ill grace, but on the modalities of its application. After making the gesture of approving a treaty which is technically an infringement of GATT, the outsiders will seek to obtain from the Six very concrete guarantees and safeguards against a loss of their markets in West Europe. This movement will no doubt be led by the USA, which has yet to get its 'quid pro quo' for the tariff concessions it consented to last year. Japan and Brazil reportedly fear that some of their most vital trading interests are involved and are prepared for a strong resistance to the protectionist elements in the Euromarket scheme. Cuba has lively anxieties about its sugar markets on the Continent and is hoping to organise Latin American opposition.

As for the exporters of tropical produce, who feel that their European markets have been threatened by the inclusion of the overseas dependencies of the colonial powers, they are drafting a scheme whereby Euromarket will concede them guaranteed quotas of imports, to ensure that the European colonies never succeed in wholly supplying the Continent with tropical produce. But the most seriously perturbed group of countries are the Scandinavian powers, who already have on foot a plan for their own customs union—a plan that will be killed in the egg if Euromarket even begins to work moderately well.

Norway, Sweden and Denmark, with their total population of 20 millions, were quietly proceeding with their projected customs union, which is scheduled to come into being at the end of next year, when it became clear that Euromarket was a more serious proposal than had at first appeared. It was then realised

in Northern Europe that internal Scandinavian trade represents only 10-15 per cent of each member's commerce, while trade with the area that would be included in a free trade zone including Britain represents 60-80 per cent. In these circumstances, isolation from the West European experiment is impossible for Scandinavia; it would be crippling for the northern countries to be shut out from an effective Euromarket, while for them to remain outside a free-exchange zone, such as Britain has suggested, would be the ruination of their economies. To join Euromarket, on the other hand, would entail grave economic reorganisation, and in particular would mean that these low-tariff countries would have to suffer a general raising of their import duties to nearer the West European level.

Denmark may yet be willing to meet these dangers and take the plunge of joining the common market of the Six; this is because Denmark, as an exporter of agricultural produce, is more or less obliged to follow her rival and competitor, Holland. The British free-exchange zone is of no interest to Denmark because it is to exclude agricultural goods. Norway and Sweden, on the other hand, must ultimately align their commercial policy on Britain's for Britain is their main trading partner, and the free-exchange zone presents certain attractions for them. Even Finland, which has very little commercial independence but must take orders from the Russians, will have to extort from Moscow permission to associate herself in some way with these projects for Nordic, Continental or European freer trade—unless, as is unlikely, the Communist bloc offers to absorb that 60 per cent of Finnish exports now bought by North and West Europe.

When I recall the case of Spain, which cannot afford to sacrifice her nascent industrialisation by joining Euromarket and yet will see her traditional exports jeopardised by staying out, I will have completed this rough picture of the anxieties aroused among the outsiders by the apparent progress of the common market scheme. There is no need to refer to the anxious dithering of Britain, which cannot yet decide what she should do about Euromarket, for this case is by now well known.

The notable fact is that none of the outsiders has been convinced by the reassuring argument offered by Euromarket's supporters: namely, that the common market will stimulate such a rise of living standards in West Europe that imports from the outside world will, far from falling off, actually increase. This complacent and highly theoretical piece of reasoning cuts no ice because everyone knows that decades of protectionism have produced habits that will not be readily discarded in the new organisation. There is only one form of genuine free trade, and that is global free trade —which is beyond all possibility. Partial free trade areas represent, for those who are not included in them, simply grander and more effective forms of protectionism. How serious this danger really is, or conversely how great the promise of Euromarket really is for its members, cannot yet be judged. The terms of the treaty tell us very little, for everything will depend on how and how quickly it is applied, and that in turn will depend on the level of European trade and on the movement of currency values in the years immediately ahead.

Just Out

INDIAN LABOUR CODE

Just Out

By

S. N. Bose,

Personnel Section, Bata Shoe Company Private Limited, Calcutta.

Third Edition, 1957

Price Rs. 25|-.

An Encyclopaedia of labour laws covering almost the whole field of labour legislations in India with introductory notes and some statements of objects and reasons of the different Acts and Bills. The book has been divided in the following headings: (1) Factory and Establishment Legislations, (2) Plantation Legislation, (3) Mining and Mineral Legislation, (4) Transport Legislation, (5) Child Labour Legislation, (6) Wages Legislation, (7) Social Security Legislation, (8) Industrial Statistics Legislation, (9) Industrial Housing Legislation, (10) Industrial Relations Legislation and (11) Miscellaneous Legislation. The Appendices contain many important labour matters which are not easily accessible except by reference to numerous documents and papers. Apart from the General Index, the book contains Index to Statutory Definitions.

The Book has been recommended as a reference book in M.A. Commerce and M.A. Economics by the Calcutta University and as a text book in the Social Welfare Course of the All-India Institute of Social Welfare and Business Management.

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WORLDGRAM

AGRICULTURE

Madras Estates Abolition Amending Bill: The President has given his assent to the Madras Estates (Abolition and Conversion into Ryotwari) (Amendment) Bill, 1956. The Bill seeks to make certain amendments to the Madras Estates (Abolition and Conversion into Ryotwari) Act, 1948, which have been found to be necessary as a result of experience gained in the working of that Act. Among other things the Bill prescribes a limit on the amount that may be deducted on account of rent and excess collections from the interim compensation so as to avoid hardship to the persons or institutions concerned. It also provides that the balance may be recovered from the final compensation amount. The Bill enables the State Government to amend or cancel notifications wrongly issued earlier declaring certain villages as 'inam' estates or under-tenure estates. Certain changes in the procedure relating to appeals preferred under the Act before the Special Tribunal are also made by the Bill so as to remove certain defects and anamolies.

*

Land Allotments to Displaced Land Claimants: Up to February 28, 1957, 2,41,195 displaced families from West Pakistan received permanent rights covering an area of 18,03,277 standard acres in the Punjab. This land is worth Rs. 81.14 crores. During February this year alone, proprietory rights in respect of 15,587 standard acres of land were conferred on 2,645 displaced families now living in the Punjab. The value of this land is Rs. 70 lakhs. The work of allotment of land to unsatisfied or partially satisfied claimants had also been revived. Punjabi land claimants, in addition to those allotted land earlier under the quasi-permanent scheme, were allotted 33,703 standard acres up to the end of 1956. Evacuee lands in the Punjab were allotted on a quasi-permanent basis to 4.77 lakh displaced families and another 33,000 families were settled as tenants-at-will. In addition, 58,000 families were given land on a temporary basis in other states. These land allottees have been given facilities to purchase the land in their occupation on instalments over a period of 15 years after making an initial deposit of 10 per cent of the price of the land. These families were generally given rural loans up to Rs. 1,162 each of which an amount of Rs. 252 is being remitted in consideration of its being a food loan. The total amount thus advanced up to March 31, 1957 was about Rs. 8.9 crores. Rs. 5 lakhs have been set apart for advancing rural loans to displaced families from West Pakistan during 1957-58.

INDUSTRY

Manufacture of Nickel Sulphate from Waste Product: A scheme for the manufacture of nickel sulphate from the catalyst waste of hydrogenation factories has been prepared by the Small Industries Organization of the Ministry of Commerce and Consumer Industries for the guidance of small industrialists. Nickel in the form of nickel formate is used as a catalyst for the hydrogenation of vegetable oils. The manufacturing process is explained elaborately in a booklet issued by the Organisation. From the stage of waste catalyst, up to the stage of packing of finished product, the different stages of manufacture have been described in the booklet with diagrams. The scheme estimates the production of 5,000 pounds of nickel sulphate from 100 cwts of waste catalyst. The booklet also gives the basic data regarding the requirements of plant and machinery, raw materials, capital investment, manufacturing cost and profit etc. Copies of the scheme can be obtained free of cost from the Office of Development Commissioner, Small Scale Industries, 114, Sunder Nagar, New Delhi and the Regional Directors of Small Industries Service Institutes in New Delhi, Calcutta, Bombay and Madras.

*

Draft Standards for Fire Extinguishers: The Indian Standards Institution has issued, for eliciting comments, three draft Indian standards specifications covering three types of extinguishers viz.: foam type, soda acid type, and c.t.c. type. These drafts cover fire extinguishers currently used in the country and lay down requirements for materials, construction chemical charge and performance test. Comments on these specifications may be sent to the Indian Standards Institution, 19, University Road, Delhi-8, before June 11, 1957.

*

Ladders for Fire Fighting: The Indian Standards Institution has issued for eliciting comments, three draft Indian standard specifications covering hook-ladders, extension ladders and wheeled fire escape. These specifications form part of a comprehensive series of Indian standards for fire fighting equipment used in the country. Earlier, draft Indian standard specifications for water supply fittings and fire extinguishers have been circulated for comments. The draft standards lay down specifications for material, design, dimensions, construction and acceptance test which includes the deflection test as well as the round test. Comments on these drafts may be sent to the Indian Standards Institution, before June, 11, 1957.

*

Colour Fastness of Textile Materials: An Indian standard method of test for determination of colour fastness of textile materials to steaming has been published by the Indian Standards Institution. Colour fastness of textiles materials is of considerable importance to the consumer. The fastness depends not only upon the nature and depth of shade of the dyestuff used but also upon the nature of the fibre and the method of dyeing or printing employed. Copies of this standard can be had from the Indian Standards Institution, 19, University Road, Delhi and its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay and P-11, Mission Row Extension, Calcutta.

*

Revised Standard for Brazing Solder: The Indian Standards Institution has published a revised Indian Standard specification for brazing solder (IS: 24-1956). The revised standard covers seven grades of brazing solder, used in brazing steel, copper alloys, nickel, and nickel alloys, designed as Cu. 80, Cu. 60, Cu. 60 Sn., Cu. 54 Sn., Cu. 50 and Cu. 43 Cd. as against four grades provided in the tentative standard issued 1950. The standard includes requirements with regard to manufacture, supplier's guarantee, sampling, chemical analysis and marking. Copies of this standard can be had from the Indian Standards Institution, 19, University Road, Delhi-8, and its branch offices at 40/40A, Cawasji Patel Street, Fort, Bombay and P-11, Mission Row Extension, Calcutta.

*

Draft Standard for Boiling Flasks: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for boiling flasks (narrow-necked). The draft standard covers three types of boiling flasks, namely, conical, flat-bottomed and round-bottomed and prescribes requirements for capacity, dimensions, construction and workmanship etc. Comments on this draft may be sent to the Indian Standards Institution, 19, University Road, Delhi-8 before June 12, 1957.

TRADE

Traffic Handled at Calcutta Port: Calcutta Port handled the record figure of 41,963 tons of steel during the second half of February, 1957. The highest figure of steel tonnage touched previously was 38,726 in the second half of December, 1956. The total traffic handled during the second half of February, 1957,was 233,241 tons, of which imports alone accounted for 106,634 tons. Imports included 16,204 tons of food grains. Amongst exports, ores amounted to 31,811 tons. The number of vessels which entered the Port during the period was 52.

*

Protection to Machine Screw Industry: The Tariff Commission has taken up for investigation the question of continuance of protection to the machine screw industry beyond December 31, 1957. In this connection, the Commission has prepared special questionnaires for producers, importers and consumers which are now ready for issue. Firms, associations and persons who desire to express their views, may obtain copies of the relevant questionnaires from the Secretary, Tariff Commission, C.G.O. Building, 101, Queen's Road, Bombay-1, specifying the interest they represent. Replies to the questionnaires and representations or memoranda which interested parties may wish to submit should be sent in twelve copies so as to reach the Secretary, Tariff Commission by May 5, 1957.

*

Schedules to Indo-Hungarian Trade Agreement Extended: Letters were exchanged in New Delhi recently between Shri K. B. Lall, Joint Secretary, Ministry of Commerce and Consumer Industries and H.E. Mr Aladar Tamas, Envoy Extraordinary and Minister Plenipotentiary of Hungary in India, extending the Schedules to the Indo-Hungarian Trade Agreement, signed on June 17, 1954, up to December 31, 1957 with the following modifications:—

SCHEDULE 'A': (Import from Hungary into India)—

The following items have been omitted: Canned tomato; cast iron enamel bath tubs.

SCHEDULE 'B': (Exports from India to Hungary)—

The following items have been added: Coffee; jam, chutnies and pickles; cashew nuts and cashew shell oil; tobacco manufactures i.e., cigar and cigarettes; cordage and ropes; paints and lacquers, bristles; tapioca and its products; fruits squashes and sauces; hardware; canned fruit and meat products; silk and rayon textiles and manufacture; light engineering goods; cotton seed oil and pepper.

FINANCE

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 the Indian Union during January, 1957, amounted to Rs. 1,723 lakhs as compared with Rs. 1,423 lakhs 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. 1,396 lakhs as against Rs. 1,125 lakhs, export duties for Rs. 296 lakhs as against Rs. 261 lakhs and land customs and miscellaneous for Rs. 31 lakhs as against Rs. 25 lakhs. The total gross collection of union excise duties amounted to Rs. 1,797 lakhs as compared with Rs. 1,351 lakhs. During the ten months, April 1956 to January 1957, the grand total of gross customs and union excise revenue realised was Rs. [illegible] lakhs as compared with Rs. 26,032 lakhs during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 11,621 lakhs as against Rs. 10,458 lakhs, export duties for Rs. 2,515 lakhs as against Rs. 3,093 lakhs, land customs and miscellaneous for Rs. 297 lakhs as against Rs. 174 lakhs and union excise duties for Rs. 15,851 lakhs as against Rs. 12,307 lakhs.

GENERAL

Trainin of Village Level Workers: Under the training programme for the various categories of Community Development projects personnel, scheme 27,416 Village Level Workers received training up to February 28, 1957, while 10,034 were receiving training on that date. The number of trained V.L.W.s included 18,091 extension workers and 8,933 basic workers, while the trainees included 5,464 extension workers and 4,093 basic workers. Group Level Workers trained up to the same period numbered 2,265, while those undergoing training numbered 186. The corresponding figures for workshop artisans were 130 and 159, respectively. Figures for Social Education Organisers are available up to March 31, 1957. These show that 2,241 Social Education Organisers received training up to that date, while 515 were receiving training on that date. These included 1,537 men, 634 women and 70 tribal personnel trained, and 360 and 136 women trainees. Eight hundred and ninety Extension Officers had been trained up to March 31, 1957, while 533 were undergoing training. Of these already trained, 605 were on the co-operation side and 285 on the industries side. Among the trainees, 308 were on the co-operation side and 225 on the industries side. As regards the Block Development Officers, 1,357 had been trained up to March 31, 1957. Among the Health personnel, 980 had received orientation training up to the same period and 22 were under training.

*

Lead Deposits Discovered in Almora District: The Geological Survey of India has discovered 1½-mile-long lead belt in Kharahi area in the Almora District of U.P. State. The belt, which is 200 to 500 yards wide, contains deposits the average per cent of which is good for commercial exploitation. The lead ore was found to contain some silver also.

*

Manufacture of Fountain Pen Ink: A scheme for the manufacture of fountain pen ink has been prepared by the Small Industries Organisation of the Ministry of Commerce and Consumer Industries for the guidance of small industrialists. The process of manufacturing fountain pen ink (blue black) is explained elaborately in a booklet issued by the Organisation. The booklet gives the basic data on the requirements of machinery and equipment, raw materials, capital investment and manufacturing cost. Characteristics of quality fountain pen ink, tests for ascertaining the quality, common defects in the manufacture, their probable causes and the ways to remedy them have all been described in detail in the booklet. The booklet contains also lists of firms from whom raw materials and equipment are avilable.

*

Kenya's Development Plan: The Kenya Government plans to spend about £23,000,000 during the next three years in expanding Kenya's economy and developing production, according to an official document published in Nairobi. The plan, which awaits approval by the Legislative Council, covers all aspects of economic and social development, including agriculture, education, medical services, housing, industrial and commercial expansion, roads, aerodromes, community development, and forestry. Kenya's steady progress in the past 10 years is reviewed in the document. Annual income rose from £53,000,000 in 1947 to £150,000,000 in 1955. Imports went up from £14,000,000 to £72,000,000 in the nine years up to 1955, while exports expanded by 260 per cent in the same period.

NEWS IN BRIEF

INDIAN

A reserve of 49 million tons of coal in the South Karanpura Coalfield in Bihar has been estimated by the Geological Survey of India, which carried out the exploratory drilling in the area.

*

The Government of India has authorised the Tea Board to make an interim release of tea export quota for 1957-58 to the extent of 56 per cent of the crop basis of the tea estates, pending final notification of the Indian export allotment of tea for the year.

*

The production and despatches of the indigenous sugar amounted to 15.45 and 8.38 lakh tons up to March 31, 1957, in the current season as against 14.02 and 6.80 lakh tons, respectively, in the corresponding period of last year.

*

The Government of India has sanctioned a loan of Rs. 4.08 crores to the Government of Bihar to cover the expenditure on the Koshi project during 1956-57.

*

It is reported a further loan of Rs. 25,000,000 will be granted during the current financial year to the State Trading Corporation to expand its activities in the export field.

*

From India, a trade team consisting of some Exporters and Importers and an official of State Trading Corporation headed by the Deputy Director of Exhibitions of the Government of India, participated by putting a collective Exhibition of Indian Pavilion and they successfully negotiated business for export of over Rs. 60 lakhs.

*

A provision of Rs. 20 lakhs has been made by the Central Ministry of Rehabilitation for granting small urban loans to displaced persons from West Pakistan during 1957-58.

*

The Government of India have sanctioned loans of Rs. 40 lakhs and Rs. 250 lakhs to Rajasthan and Madhya Pradesh States, respectively, for the Chambal project. This brings the total amount of loans sanctioned for this purpose to Rajasthan to Rs. 227 lakhs and to Madhya Pradesh to Rs. 455 lakhs.

*

It is reported that India imported during 1955-56 goods to the value of Rs. 12 crores from Sudan and exported goods to the value of Rs. 7 crores. Her imports mainly consisted of cotton.

*

The Indian Standards Institution has published a revised Indian standard specification for silver solder (IS: 192-1956).

*

The Government of India have decided in consultation with the Board of Trustees of the Coal Mines Provident Fund to grant interest to the subscribers of the Fund on their accumulations at the rate of 3¾ per cent during the year 1957-58. The rate of interest for the year 1956-57 was 3½ per cent.

*

The Public Companies with an authorised capital of Rs. 15,00,000 and 15 Private Companies with authorised capital of Rs. 48,60,000 were incorporated in the Northern Region in February, 1957. One of the Private Companies was registered in Delhi and its authorised capital is Rs. 10,00,000. It is a subsidiary body of a Government-owned concern.

FOREIGN

It is reported the French bank rate has been raised from 3 to 4 per cent. The rate for advances on securities has also been increased from 4.5 to 6 per cent. Rate on three month and 30-Day Government securities remains at 3 per cent.

*

An agreement for the withdrawal of Egyptian currency still circulating in the Sudan was signed recently. It will be replaced by Sudan's own currency.

*

Iran received over £54.3 million in oil revenues in 1956 as a result of operations carried out in the south of the country by the Consortium of international oil companies.

*

The average price of the British Wool Marketing Board's schedule of prices for the United Kingdom wool clip this year is slightly below the 1956 figure. At 51.35 d. a pound, the new price compares with 52 d. for 1956.

*

With the decontrol of prices of gold, silver, platinum and palladium, announced recently, trade in precious metals in West Germany has now, after an interval of 26 years, again become almost entirely free.

*

The Rhodesian Federation's gross national product rose from about £149 million in 1950 to nearly £356 million in 1956. The annual rate of growth of the Federations national product in recent years has been the highest in the world.

*

France in trading with other members of the European Payments Union in March had an increased deficit of $93,595,000.

*

Three leading French Banks have announced plans for a new company to finance development projects in French overseas territories. The new Company—Campagnie Financeire Pour L' Outre Mer—will have an initial capital of 250 million francs. It is backed by Credit Lyonnais, M. Rothschild Freres and the Banque de Paris et Des Pays Bas.

*

It is reported with the recent signing of trade agreement between Poland and China, China has become Poland's leading non-European customer. The trade agreement is valued at about £28.2 million.

*

Canada received a capital inflow of $6 million (£2,247,000) in January from international securities trade. In December there was an outflow of $9 million (£3,370,000).

*

Britain's exports at £297 million set up a new record last month, exceeding by £2 million the previous peak figure reached last October.

*

It is reported raw jute has been placed on open general license for export purposes in Pakistan with effect from April 3, 1957.

Special Articles:

THE BACKGROUND OF THE U.K. BUDGET

THE budget presented before Parliament recently by Mr. Thorneycroft, the Chancellor of the Exchequer, has to be viewed in the context of Britain's continued economic difficulties during the past two years.

It will be recalled that when the last budget was presented in April, 1956, Britain was in a particularly vulnerable position. The balance of payments position had steadily deteriorated and many people then thought that devaluation of the pound was inescapable. Mr. Macmillan, however, stepped in to stem the rot and adopted a dual policy of economy in governmental expenditure and of credit restrictions (including restrictions on instalment purchases) with a view to curbing the consumer demand. While subsidies on milk and bread were abolished and the first instalment of cuts was imposed on defence expenditure, the Bank rate was raised, certain investment programmes in the public sector were slowed down and Government assumed wide powers to control and regulate the fairly wide field of consumption covered by hire-purchase agreements.

These measures of disinflation helped considerably to correct the imbalance which had resulted from Mr. Butler's earlier policy of "expansion and freedom." The balance of payments position went on improving steadily, (at least until the Suez crisis), the confidence of the world in the stability of the British pound was restored and the galloping inflation which was threatening to get out of control was held in check. Had it not been for the unfortunate Suez adventure, the position would have been better still on the eve of the presentation of the budget for 1957-58.

Nevertheless, the essential problems of today's Britain remain unsolved. The problem is not merely the preservation of the value of the pound, both at home and abroad, but also the maintenance of Britain's position as an exporting country. These can be achieved only if the country's productive capacity increases, while the consumer demand is held in check—at least till such time as productivity and output can outstrip costs.

The Economic Survey report which preceded the presentation of the budget shows that these objectives were not attained in 1956 and that the outlook is rather uncertain for 1957. Although exports rose by some £250 million (in real terms) and the balance of payments improved by more than £300 million in 1956, the gross domestic product rose by just over one per cent between 1955 and 1956, the smallest increase since 1952. Even this increase in production is accounted for by increased output of the distributive and service trades: in other words, industrial production did not expand at all. The increase in exports has also to be viewed against the considerably larger increase in world trade in manufactures: the British share of this world trade did not register a rise, but continued to fall.

It is true that internal consumption was steadier in 1956 (it rose by only ½ per cent over the figure for 1955), but it did not lead to any appreciable increase in 'real' savings. This is rather surprising, particularly in view of the fact that there was a large increase in personal income (total disposable income, after taxes, rose by nearly 8 per cent). The explanation lies in the fact that the potential saver was still being haunted by the spectre of inflation. He did not want to see the real value of his savings go down, if he could help it. He, therefore, preferred to "consume" his extra earnings. As has been pointed out in a recent survey conducted by the Federal Reserve Board of the U.S.A., even restrictions on consumer instalment credit do not affect consumption appreciably over a long period: the money which consumers would have spent on hire-purchase items is merely diverted to other items. The same has been true of Britain—though to a slightly lesser degree.

The real trouble has been that productivity and output have not gone ahead of industrial costs. Plagued by the threat of strikes, both Government and the private employers in Britain have accepted, without murmur, wage increases which cannot be justified in terms of productivity and output. The instinctive and widespread assumption that stoppages must be avoided at any cost, has led to the short-sighted policy of tolerating annual increases in wages far in excess of annual increases in productivity. The lead has been given by the nationalised undertakings (e.g., railways and other transport undertakings) and private employers have merely fallen in line. The resultant increase in labour costs per unit of output has been like a halter round the neck of industries, particularly export industries. During 1956, industrial costs increased by 4 to 5 per cent, but productivity decreased by nearly 2 per cent. The outlook for 1957 is equally uncertain: with the strikes in the shipbuilding and engineering industries temporarily called off after a promised wage increase of 4 to 5 per cent, Britain will be hard put to maintaining economic balance if productivity also does not register a corresponding increase. Here, the position is further complicated by the fact that, in the highly competitive world market of today, countries like the U.S.A., West Germany and Italy are stealing a march over Britain by their superior efficiency and more advanced techniques.

This brings us to the question of the need for expansion of industrial production during 1957. Britain must produce more and cheaply, in order to pay for increased imports—imports not merely of food, but of industrial raw materials and such items as steel and machine tools which have assumed increased importance in the terms of the trade since 1950. Now, besides high wages, there are other factors which hamper production. The very attitude of labour in Britain today acts as a damper. The policy of disinflation pursued in 1956 no doubt produced a balance of payments surplus of about £233 millions, but it did not lead to that frictional unemployment which might have held labour in check. Labour merely worked for a lesser number of days and produced less. As the Economic Survey points out, the output per man-year in manufacturing industries declined by 2 per cent in 1956 from the figure for 1955. The cumulative effect of all this was that the prices of all manufactured goods rose by about 4½ per cent between 1955 and 1956 and retail prices by about 5 per cent.

An important factor for stimulating production is investment. Here also, the situation has been complicated by the fact that the nationalised industries have monopolised the major share of the real savings of the community. Although private industries contribute about 75 per cent of the country's gross domestic product, the nationalised industries appear to have made far greater demands on capital resources in relation to their output. According to "The Economist," since the end of World War II, the four main nationalised industries have obtained two-thirds of their capital expenditure from borrowings, while private industries raised only one-third of their requirements from the market. As contrasted with the nationalised industries, industries in the private sector are directly productive. Yet, these latter—and they provide the bulk of the exports—have been starved of capital.

A contributory cause in the matter of lag in production has been the high rate of taxation on the managerial, professional and entrepreneurial classes. While Britain's tax system cannot perhaps be called the severest in the world (there are countries in which the ratio of taxation to the total national income is greater than in Britain), it is particularly harsh in its incidence on those classes on whose initiative, energy and drive production largely depends.

The dilemma in Britain today is twofold. Firstly, expenditure on social programmes and on the concerns of Government, including defence, does not leave room enough for the necessarily high volume of investment required for industrial production — investment which alone can bring her in line with countries like the U.S.A., West Germany and Italy. If production is not allowed to expand, not only will she lose in the competitive race for world markets, but sufficient safeguards in the shape of more goods and higher productivity will not be generated against threats of renewed inflation and exchange difficulties. Secondly, she cannot afford to let any of her existing factories and shipyards remain idle even for a week, but the only way in which she can ensure against this contingency appears to be by granting higher wages to labour, which, in the absence of higher productivity, must increase industrial costs and once again let loose the inflationary spiral.

Mr. Thorneycroft has announced a £100 million cut in taxes. A portion of the relief would go to the managerial, professional and entrepreneurial classes; purchase tax is being reduced on certain items of consumption, and the extra duty on petrol and light oils imposed last year is being withdrawn; investment allowance for certain types of capital expenditure is being increased. The defence expenditure has already been proposed to be cut by £117 million. These measures are expected to stimulate enterprise, investment and savings, but, as has been stated by Mr. Thorneycroft himself, all these years Britain has been trying to get more out of her economy than she has put into it. The taxation relief and cuts in governmental expenditure, especially defence, will help, but unless expansion can take place "at a pace and in a manner consistent with her responsibilities as a trading nation," the year 1957 may not afford any greater grounds for cheerfulness than the year which has just ended.

WORKERS' COUNCILS IN YUGOSLAVIA

By

IVAN BOZICEVIC

(Vice-President of the Central Council of the Yugoslav Trade Union Federation and member of the Committee for the Preparation of the Congress of Workers Councils).

THE Congress of the Workers' Councils of Yugoslavia will be opened in Belgrade on June 25 this year. This will be the first Congress of its kind in the history of Yugoslavia's social development, combining two basic social functions—the function of producers and the function of managers. The congress is arousing great interest and much significance is attached to it not only in the ranks of Workers' Councils but also among the people in general. The significance of the congress arises above all from the fact that workers' self-management in production constitutes one of the essential bases of our socialist order of society. For the social ownership of the means of production and social management of enterprises, communes, public services and institutions constitute an indivisible whole for the development of the Yugoslav society.

The day when the working collectives in enterprises were entrusted with the management of the economy marked the beginning of a profound, far-reaching process in which inevitable changes took place in different spheres: in regard to the functions and character of the State organs; in increasing the rights and role of the local communities; in the decentralization of administrative functions; in the principles of the economic system; in the methodology of planning; in the role of markets and operation of economic laws; in the democratization of internal relations in the work collectives; in the character of employment; in the consistent introduction of social management into fields outside of the economy—in education, cultural life, social and health institutions, in the social insurance, and housing policy; as well as in many other political and social institutions.

The significance of the forthcoming congress also arises from the fact that this will be the first gathering of the kind of representatives of the workers' organs of management; as well as from the tasks which the Workers Councils have set before their congress. The congress of Workers Councils will be held at a time when great changes are taking place in our economy, on the basis of successes scored in the past. The building of the heavy industry has created conditions for the orientation of our further economic development towards the construction and development of the light industry, that is, towards the production of consumer goods as well as towards raising production in agriculture. At the same time the import of consumer goods is increasing. The policy of raising the living standard has been placed in the forefront. These changes mean at the same time that Workers Councils are on the threshold of a new economic era. The disequilibrium between demand and supply is being rectified, the market is becoming richer and richer which means that in future the enterprises and their organs of management will increasingly be faced with the problems of quality, assortment and prices. This means that in the future they will be confronted ever more sharply with the problems of increasing the productivity of labour, introducing more economical business methods, cutting production costs, and so forth.

The workers' management of enterprises in Yugoslavia started against the background of an underdeveloped economy. The workers' management of enterprises reaffirmed itself in a relatively brief period of its existence as an irreplaceable basis of our socialist system and as an integral factor in production.

Workers' management constituted in that period the basic source of the initiative of the working class and played a decisive role in overcoming a host of difficulties and reaching the present stage of development. The results achieved are of far greater and deeper significance than can be seen from the statistical data on production, on the productivity of labour or on the living standard. They are significant for the creation of new social relations. They mean a definite conquest of new positions of key responsibility in society by the working class. They mark its transformation into the producer-manager. The direct producer ceases to be a mere instrument of another's will, he has finally realized a long-cherished goal; to produce and at the same time control the means of production and decide the distribution of created values. The question who determines distribution policies is of fundamental significant every society. It has a direct bearing on the position of social groups and their mutual relations.

There is no doubt that the achievement of the workers' self-government is accompanied by a series of important problems and difficulties. This is quite understandable, above all because workers' management has been created in an underdeveloped economy with a young working class but more especially because the functions involved call for a high degree of knowledge, technical training and capacity to make imaginative decisions. Besides, the setting up of the Workers' councils called for changes in the economic system which caused certain difficulties to the organs of management. The transformation which took place when the enterprises were handed over to workers for management is so profound and radical that it could not have been realised without obstacles even at a higher level of development and with a more developed working class. One of the most important tasks of the forthcoming congress is to make an assessment of past successes, to analyze the experiences, examine the difficulties and on the basis of all this evaluation visualize the prospect of development and propose measures for the advancement of the system.

The problems which our rapid and exciting social development is daily posing to the working class, its organs of management, the social organizations and other social factors are numerous. Conditions change with development, new needs arise, new solutions are called for with new contents and new forms. The important problems to be examined by the congress extend over a wide range. In addition to these issues, the congress will specially examine some specific problems of various economic fields or branches, for example: workers management in transport, in communal enterprises, in enterprises with a seasonal character of labour, in retail trade, in the catering industry etc. The congress will examine all these questions in the presence of about two thousand delegates, equipped with a fund of experience gained in the past practice and helped by advice, recommendations, requests of nearly two million workers whom they will represent at the congress.

It is expected that the Congress of Workers Councils will be attended by many representatives of workers organizations from foreign countries. They will attend the congress as guests, but they will be able to take part in the work of the congress in a special commission which will deal with the forms of participation of the working class of the world in managing enterprises. Demands for management in economy and the struggle of the working class for the realization of these demands have been arising in the history of the labour movement for over a century. The social-economic development under modern conditions has contributed to making these questions internationally pressing. In some countries this demand has emerged into the forefront. The forms of these organs, as well as the degree of the rights, vested in them are different: they exist in a number of countries and through them is realized the participation of workers in different forms—through consultative, controlling, self-governing management functions. For the world today and for the ideological currents in the contemporary labour movement, it is characteristic that great differences exist in the attitudes of different workers organizations to participate in management.

The realization of the workers' right to the management of the economy is a historical process, a historical inevitability. It is essential for the modern international labour movement to visualize this necessity as well as the inevitability of a series of manifestations in the past and in the world of today. Actually what is involved here is a principle which lives perpetually in the labour movement, which strongly emerges at the time of important social movements and whose realization cannot now be postponed. In view of all this it is understandable why there is a great interest in the world for our experience—for our Workers Councils But there is hardly less interest in our country for the processes which are evolving in other countries on the same plane. The exchange of experiences on these problems of the labour movement and socialism, which will be carried out at the congress of the Workers Councils.

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(QUARTERLY BULLETIN)

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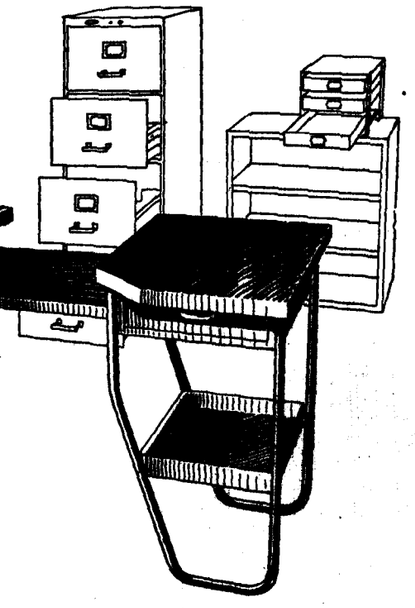
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Economic Report from the U. S.

IMF AT WORK

(BY GUY SIMS FITCH)

WASHINGTON, April 16.—When the International Monetary Fund (IMF) this week approved a loan of $75 million for Argentina, it was bringing to a close the most active six months in its 13-year history. Since mid-October, this UN agency has made available to member States more than $1,700 million in loans and standby credits. This is larger than the agency's total transactions from March 1947, when it first began its lending operations, through April 1956.

This recent spurt does not reflect or signal radically new IMF policies. The loan and credit arrangements have been in line with the Fund's major objectives....to help provide emergency reserves for member countries that encounter short-term difficulties in meeting their international payments. Members with genuine balance-of-payments problems have little trouble getting IMF assistance, as long as they take adequate measures to correct the situation without imposing undue trade or exchange restrictions. An example is the $1,300 million credit—$561 million for immediate withdrawal, the rest on a 12-month standby basis—extended to Britain last December to help it meet the strains of the Suez crisis.

In granting Britain the maximum amount allowable—its own full quota in the Fund—the IMF was recognizing not only that sterling is a key international currency but it was also acknowledging that Britain, by not backtracking on its liberalized trade and exchange policies, was living up to the Fund's basic code. Involved, too, was a recognition of the monetary and fiscal measures taken by Britain to keep its internal economy under control. The recent $200 million standby loan to India presented a somewhat different case. It was generally agreed that India was running short of foreign exchange primarily because of high imports associated with its economic development plans. In contrast to its sister organization, the World Bank, the Monetary Fund does not help finance economic development. The Fund's directors decided, however, that the Indian credit could be approved in view of the temporary nature of India's difficulties, and its otherwise sound economic policies.

The short-term credit extended to Argentina this week—half of the Argentine quota in the Fund—will help that country overcome the strain on its foreign reserves while maintaining essential imports, particularly of capital goods. Last September, the US Export-Import Bank loaned Argentina $100 million for "urgent" economic development projects. Approval of this week's loan indicates the Fund's belief that the present Argentine government is making a substantial effort to cure the economic problems left by the Peron regime. A series of stabilizing measures recently were made public in Buenos Aires.

The recent rise in IMF activities may be said to point up a dominant fact of these times: the economic "growing pains" occurring around the world. When the Monetary Fund was set up in 1944, many experts envisaged it largely as a safeguard against international recessions. In practice, however, the Fund has had to deal with exchange problems created by economic expansion rather than contraction. Industrialized and developing nations alike have been undergoing a remarkable economic growth in the past decade. Symbolic of this, perhaps, is a new IMF headquarters building now going up in Washington. The International Monetary Fund, as one observer has put it, "is very much in business."



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The Business World

WHAT PRICE SUPPLIER'S CREDIT ?

By

CROESUS

FROM several recent discussions, in both official and non-official circles, one gets the impression that, while everyone has recognised the gravity of our foreign exchange problem 'vis-a-vis' the second Five-Year Plan, there seems to be a rather facile assumption that much of this problem has well nigh been solved, thanks to the proposals now being made for purchases of plant and machinery abroad on extended credit terms, an arrangement, which, by the way, has had official blessings. But that the problem is not so simple as all that should soon become obvious, if it has not already become so, notwithstanding the seeming eagerness of certain countries to come forward and assist us. An instance to the point is Japan, which has sent the Vice-President of its Import-Export Bank, Mr Kano, on an exploratory mission to have talks with the Government of India officials for supply of machinery on a deferred payment basis. Mr Kano, we are told, feels that the five-year ceiling of the Japanese Import-Export Bank on deferred payments may be relaxed in suitable cases to fit in with our seven-year deferred payment arrangement for import of capital goods. We are even told that the Japanese are now inclined to take a "sympathetic view" of India's growing needs of capital goods which may be bought on deferred payments and, pending the examination of each case on its merits, Mr Kano will even ask his Bank to take a more "liberal view" of the sale of heavy machinery to India.

Notwithstanding all the assurances of relaxation and sympathetic and liberal view of the case, it is suggested, in a very casual way, of course, that a guarantee system by the Indian Government or banks would instil greater confidence in Japanese exporters to conclude deals with private firms in India on a deferred payment basis. This only just falls short of an Import Credit Guarantee Scheme. But we cannot blame Japan, or any country for that matter for being businesslike in these matters or for demanding a relatively high rate of interest on the credit offered whether it be on the ostensible score of the high interest rates prevailing internally in those countries, or it be on the real score of the degree of risk involved. Nor can we tell—or is it dictate to—them that they shall supply us such and such capital goods on such and such terms and charge us interest only at a given rate by invoking our money-lenders' Acts or the 'Damdupat' principle. The long and short of it is that it is not as easy as it is imagined to arrange for imports of capital goods needed by us on terms which are most advantageous to us. On the face of it, it is impracticable, if not impossible, to expect a seller who is our only source, as the deferred payments system would make it, to offer us competitive and attractive terms. The procedure simply reduces a buyers' market to a sellers' market, and a beggar cannot be a chooser, even if the beggar is licensed by his Government! Moreover, as Sir John Burns, who recently retired as Chairman of the Bombay Millowners' Association and who left this country a few days ago to take up a higher assignment at home, said at the last annual meeting of the Association, "long-term credits must make a considerable addition to the ultimate cost and 'ipso facto' add, in due course, to the exchange problem." He referred to an estimate, according to which "the cost of a seven-year credit may increase the cost by as much as 45 per cent." In other words, this seemingly satisfactory solution to our foreign exchange problem is only putting off the evil day, with the evil of the day returning to us later on with a redoubled boomerang effect.

But granting we are able to solve our foreign exchange problem to some extent by resorting to the deferred payment system (which, in younger business circles, has come to be jocularly termed as the "Seven-Year Itch" even without apologies to the famous film of that name!), will it be the end of the financial problems of any one in the private sector wanting to set up a new industry even if that industry happens to have been included in the second Plan? An appropriate answer to this poser, which, I fear, has as yet troubled hardly a few people in this country, was provided by Mr. L. N. Birla when he moved a resolution urging that corrective measures should be taken to relieve the acute stringency in the money market, at the last annual session of the Federation of Indian Chambers of Commerce and Industry in New Delhi. He remarked that the problem of internal finance, which has also to be faced by one who is out to start an industry, is an even bigger one. "Unless internal resources are available, foreign exchange even in plenty is of no use. When we invest a crore of rupees, at least 50 per cent of it is required to be spent in India. Of the remaining 50 per cent with which we bring machinery, we cannot get full credit for the amount; some margin will have to be kept. So nearly 60 to 65 per cent of the capital will be required from internal resources before we can proceed with any new venture."

To find internal resources is proving to be more and more difficult with every day that passes. The capital market, in so far as the individual investor goes, seems to have gone almost dry with even the so-called good foreign propositions ceasing to attract investors readily any more. As for institutional investors, with the disappearance of our life insurance companies, the only institutions that one could approach are either wholly Government-owned or wholly influenced by the Government. In the result, it has become difficult even for those in the private sector who are able to arrange for supply of machinery from foreign countries on a deferred payment basis to make much headway. I know, for example, of quite a sound scheme for a sugar factory in the Bombay State, sponsored by a small public limited company which started with a modest cane farm and began producing only syrup, all but stalled for lack of internal resources, though assured of supply of machinery by a foreign country on the most attractive terms that any Indian firm is believed to have yet succeeded in getting, all because it cannot raise capital from the public even if it increases its capital and issues more shares to the public in the prevailing conditions of our capital market, and, unless this is done, the capital base of the company cannot come up to the expectations of the Industrial Finance Corporation (which to all intents and purposes functions as a glorified bank) to enable it to advance to the company even a small sum of about Rs. 50 lakhs! I may be told this is a stray instance which I do not dispute, but I maintain it is fully illustrative of the enormous difficulties that face industrialists and business men who are out to do something for the country by industrialising it.

COMPULSORY DEPOSITS: A TIMELY STUDY

By
CROESUS

IN order to assess the implications of the Union Finance Minister's "unprecedented" proposal regarding compulsory deposit, with the Government, of corporate reserves, the Association of Indian Trade and Industry, Bombay, recently undertook a study of the finances of some 410 companies. This is a most timely study, although its conclusions, which have now been made public, can at best be of a tentative nature, inasmuch as the relevant rules under the Act to be framed by the Government were not available to the Association. (The rules have been published since this despatch was received.—Ed.) Notwithstanding the ambiguity of some provisions, the Association ventured out, proceeding on the basis of certain available indications, such as the Finance Minister's own reassurances in Parliament, as also his reported assurances to certain commercial bodies. The results in the event of one or all of these assurances materialising have been separately indicated, which is more than anyone has a right to expect within so short a time since the proposal was made. To collect data about 410 companies—although even this number is but a tiny section of over 30,000 companies in India—covering such important industries as cotton textiles, iron and steel, paper, cement and sugar, is no mean task; no less is the labour involved in interpreting them accurately. Hence the interest in, and the significance of, the conclusions of the study in question.

How much depends on whether the rules to be made in this behalf are strict or liberal is clear from the fact that the aggregate liability of the 410 companies studied (on account of both the accumulated reserves and the reserves from current years' profits) would fluctuate as widely as between Rs. 53 crores and Rs. 8 crores. The authors are not unaware of the limitations of their study and have wisely abstained from hazarding any estimate of the deposit liability of the entire corporate sector. Yet the results of the study should leave no one in doubt as to the likely extent of the burden imposed on the corporate sector, thanks to this provision. It would be enough, to quote the findings of the study, "to complicate the ways and means position of the corporate sector and enhance considerably the prevailing financial stringency in the money market." True, the study has disclosed that there are companies which have cash resources in excess of their probable deposit liability, but even such companies may not find it possible to bear the deposit liability without impinging seriously on their requirements of day-to-day working capital. In other words, their position too is not very much more comfortable than that of companies which may not be equally fortunately placed with regard to their cash resources 'vis-a-vis' their deposit liabilities.

An unfortunate effect of the compulsory deposit system, as the study rightly observes, would be to extend the Government's control on the investment of corporate funds. For, unless the Government permits the release of the deposit, the company concerned cannot effect any expansion it may wish to embark upon, and the Government has made it clear that it will allow withdrawal only for "such purpose connected with the business of the company as is approved by the Central Government." It is not improbable that, until it is able to ensure the flow of resources to its own commitments in the public or State sector, the Government will freeze the deposits by merely saying that a given expansion scheme is not acceptable to the Central Government. Thus, no scheme that does not fall within the ambit of the second Five-Year Plan can be normally expected to get the Central Government's approval.

A pertinent poser raised by the study is whether the Government would agree to accept the compulsory deposit in the form of cash or in the form of both cash and Government securities; if the former were to be the rule, it would drive the companies involved to unload their holdings of Government securities on a none-too-willing market which is sure to create more headaches to the powers-that-be. The authorities would then be called upon to support the gilt-edged market by purchases, and, to this extent, the position would be that what the Government takes with one hand, it would have to give back with the other. A second consequence would be a withdrawal of bank deposits by companies that may have excess resources, or a resort to bank loan, or both. Even as it is, our banking system is creaking with the weight of heavy advances, some at least of which are for purposes which the Government itself regards as of paramount importance.

In view of these indisputably undesirable consequences, the study has made the following suggestions, which deserve to be carefully considered.

i) Conditions to be laid down must be as lenient as possible, at least to begin with;
ii) the paid-up capital must be ignored in computing the corresponding amount of fixed assets;
iii) loans and debentures must be allowed to be set off against deposit liability;
iv) reserves used as working capital must be exempted from the deposit scheme;
v) staggered payments must be introduced so as to spread the due dates of payment for various companies instead of concentrating all of them at one and the same period, and
vi) prompt and liberal withdrawal facilities should be allowed for fixed as well as working capital purposes.

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BUSINESS NOTES

ENGINEERING GOODS EXPORT

THANKS TO the foreign exchange crisis, a further sense of urgency has been added to the question of export promotion. The Government have no doubt taken a number of measures in this direction like liberalisation of export licensing covering commodities that account for nearly 80 per cent of our export earnings, adjustment of export duties, setting up of export promotion councils, attention to standardisation and so on. But the difficulties in the way of export trade are still many and some of them facing the engineering industries were brought out in the address of Mr. D. N. Jalan to the Engineering Export Promotion Council. While reviewing the activities of the Council since its inception 18 months ago, he pointed out that the problem was not only one of assisting the manufacturers to export their goods, but the more formidable one of making them export-minded, because there was a general reluctance on the part of engineering industries to take risks in foreign markets. Also, since they had already good markets at home enabling them to earn good profits, they were less eager to enter the export trade. This is an undesirable state of affairs from the long-term point of view and Mr. Jalan urged the need for constant propaganda so that the manufacturers may show a greater readiness to participate in the export trade of the country. Mr. Morarji Desai, who also referred to this question, said that the stability of export industries would depend on the quality of their products and the price and suggested that if they were not deterred by the quantum of profits, they would have good markets overseas. It is to be seen how far the Union Minister's appeal will have its desired effect and the manufacturers will take a long-term view of their interests.

It is at the same time necessary for Government to remove the difficulties the industry has to face in its export trade and take positive steps to encourage exports. While welcoming Government's decision to increase the quota of iron and steel to the exporting industries, Mr. Jalan urged the need for early implementation of the decision so that it can give a fillip to the export trade. The Council has also suggested that pig-iron and steel should be made available at prices which were prevailing in the country before the recent increase was effected in order to bring uniform prices at every railhead in the country. Mr. Jalan complained of the cumbersome rules with regard to the grant of rebate of import duty on imported raw materials used in the manufacture of engineering products which were exported and pointed out how so far the member-firms had not been able to secure the benefit intended. Referring to the difficulties with regard to shipping space, he explained how the shipping companies were not inclined to export heavy engineering items which were not so remunerative from the point of view of freight as other items. The apprehension entertained by the industry that the export trade built in Ceylon after considerable labour may be lost to competitive countries if timely action is not taken certainly deserves Government's immediate consideration.

Mr. Jalan in his address also referred to the activities of the Council outside the country where the survey of foreign markets has to be regularly and constantly pursued. The Council has sent two trade missions, one to Burma and the other to British East Africa, Ethiopia and Sudan. The visit of these delegations would naturally have created interest in Indian goods and there is bound to be good scope for developing the exports. However, there can be no room for complacency as markets everywhere tend to be competitive. Manufacturers here have obviously not only to pay attention to quality and price but take every step necessary for meeting the particular requirements of the buyers in the various markets.

FINANCE FOR TEA

APART FROM being one of the largest single earners of foreign exchange, which alone makes the tea industry of considerable significance in the Indian economy, it provides employment to close on a million of people, and makes substantial direct contributions to the exchequer in the form of excise and other taxes. It is, therefore, obviously important to help the industry to overcome its problems which are mainly of finance for meeting working costs in the short period and for rehabilitation, modernization and expansion in the long period. According to the report of the Plantations Inquiry Commission, the total working capital requirements of the industry amount to about Rs. 90 crores on an average. In the case of long-term finance, the Commission has assessed a capital requirement of Rs. 11.12 crores for five years for the 176 companies which contemplate such expenditure and expect to find funds either from their own or from external sources. It may be mentioned that on the basis of the replies received by the Commission, it has arrived at the finding that the Indian-owned companies are in greater need of external funds than non-Indian companies.

Be that as it may, the major consideration that should be taken into view for granting assistance should always be—as explained by Mr. Morarji Desai before a conference of the interests concerned—whether the applicant is deserving. Whether the loan applied for is for the purpose of meeting working costs or making capital expenditures can hardly form the main criterion for a financing institution to reject or grant the loan. All that would appear to be necessary to ascertain before granting a loan would be the extent to which such a loan would improve the production capacity of the particular unit and if the unit would be able to honour the terms of the loan. There is, however, the need of providing finance for repayment of past debts in suitable cases. Strictly speaking, this may not go directly into increasing the production capacity, but indirectly it would bear fruit inasmuch as the estates would be facilitated to work successfully after the redemption of debts. At the present time, however, the country's economy is experiencing a monetary stringency which may render it difficult for banks to meet the requirements of the tea industry in full. It is, therefore, a matter of striking a co-ordination, in the supply of finances, between the State Finance Corporations and other commercial banks in order that the funds that may be available may be utilized to the maximum advantage.

PROGRESS OF HANDLOOM INDUSTRY

THE THIRD Annual Report of the All-India Handloom Board covering the activities of the Board during the financial year 1955-56 makes a relatively more heartening reading than did its predecessor. In view of the important role assigned to the handloom industry in the second Five-Year Plan and the prominent place that the handloom occupies as a means of providing employment in the decentralised sector of the industry, the report acquires added significance. Though the output of the handlooms has been increasing steadily from year to year, one still has doubts about the ability of the handloom fully to meet the increase in demand as also the wisdom of the Government in continuing to freeze cloth output of cotton mills not intended for export. Thus, production of handloom cloth increased from 1,109 million yards in 1952 to only 1,454 million yards in 1955. The position in 1956, however, (judging from the trend in the first three months for which period only figures are available) shows that there has been no further in-

crease. Even the 1955 figure of 1,454 million yards compares with the relatively ambitious target indicated by the Planning Commission, under the second Five-Year Plan, of 3,200 million yards.

An important development, according to the report, is that there has been an enormous increase in the number of Weavers' Societies. It is well known that the Government's intention is to aid weavers through co-operatives as far as possible. According to the report, there are now over a million looms in 8,000 primary Weavers' Co-operative Societies, and efforts are being made to draw more looms into the co-operative fold. The development of housing colonies for weavers with loans and subsidies from the Government of India should go a long way towards ensuring the well-being of the weaving community.

By far the most heartening aspect of the report relates to the vigorous efforts being made by the Board to increase exports of handlooms. It is encouraging to note that exports, particularly those to America, are steadily rising. As the report itself says, "as against 90,000 yards valued at Rs. 2,38,000 exported in 1954, the quantity exported in 1955 amounted to as much as 219,000 yards, valued at Rs. 5,53,000! Exports during January to April, 1956 amounted to 280,000 yards valued at Rs. 5,97,000." The prospects for exporting more of our handloom products to the U.S.A. appear to be quite bright. More and more interest is being evinced by American business men in this behalf and it is left to the handloom interests to make the best use of the opportunity by considerably improving the quality of fabrics and by proper organization.

"INDUSTRIAL DEMOCRACY" IN INDIA

INDIA'S AMBASSADOR in America, Mr. G. L. Mehta, has recently emphasised the importance of the role of foreign assistance in the industrial development of this country. In the context of the enormous outlays in India's Plans, foreign assistance is no doubt marginal; nevertheless, its 'crucial role' cannot be over-estimated. In a world full of suspicion and fear, this country is boldly proceeding on her programme of economic progress against heavy odds of widening gaps between resources and requirements. Since there does not appear to be any inclination, at least for the present, to re-phase the Plan, one solution of the problem would seem to be to obtain savings and investments by 'forcible' measures. This is neither desirable nor easy. The alternative would be to draw on foreign assistance with the twin object of reducing the burden of the people, who are by and large unequal to bearing it, and ensuring a rapid development. And it is America alone that can assist to any significant extent. It is also important to remember that India can benefit greatly by drawing upon the experience, gained over time, in America in the sphere of scientific organisation of production, so necessary for stimulating growth.

It is, therefore, heartening that Mr. Mehta's counterpart in Delhi, Ambassador Ellsworth Bunker, has appreciated the growing need of American participation and assistance to help India obtain higher living standards. He was at great pains to explain and illustrate by his own country's example the important part played by European financial assistance in the expansion of American railways, steel production and coalmining, among others. India, too, over the last ten years or so, has been the beneficiary of large amounts of American aid, totalling around Rs. 430 crores. The largest single component in this has been the US Government aid amounting to a little under Rs. 400 crores and the rest was made up of assistance from either private organisations or other agencies. Again, technical assistance and economic aid have been of the order of well over $325 million. Under the Indo-American Technical Co-operation Programme, some 7.52 lakh long tons of steel and manufactures have been supplied or are being made available to India. The wheat loan of 1951-52 accounts for a total of $190 million with repayment to be spread over a long period at 2¾ per cent interest rate. A good proportion of the amount is expected to be utilised in India itself. In themselves, the figures are impressive. But it is being increasingly realised that they are not altogether sufficient and that America should take a growing interest in helping to make the Indian experiment of an "industrial democracy"—where material resources of the community are so distributed as to serve the common good and where private industry has ample scope — a success.

AUTOMOBILE PRODUCTS

MR. M. A. CHIDAMBARAM in his speech as Chairman of the Automobile Products of India Ltd., gave a heartening account of the work of the company for the year ending July, 1956. The company's effort to extend its activity had met with great success and all the schemes were progressing on sound lines. He pointed out how normal production from the brake lining plant was established from the beginning of the new financial year and the product has been found comparable in every respect with the American products. Of greater interest was the fact that the company was able to establish a steady and rising demand for the Lambretta Motor Scooter and steps have already been taken for their phased manufacture.

Referring to the finances of the company, Mr. Chidambaram said that the Industrial Finance Corporation had in all granted a loan of Rs. 30 lakhs of which the company has so far drawn Rs. 20 lakhs. The turnover of the company had increased from about Rs. 27 lakhs in 1954-55 to about Rs. 134 lakhs in the year under review and it was estimated that on the basis of current sale volume, it may be well over Rs. 2 crores in the year which will close on July 31, 1957. Stressing the need for additional capital, Mr. Chidambaram revealed that it was proposed to approach the existing shareholders and the public shortly for a further capital of Rs. 20 lakhs. During the year under review, the company earned a net profit of Rs. 4.73 lakhs and the Chairman was confident that it would be possible for the company not only to continue payment of dividend on preference shares, but also to resume payment of dividend to the ordinary shareholder. The company can thus congratulate itself on its achievement.

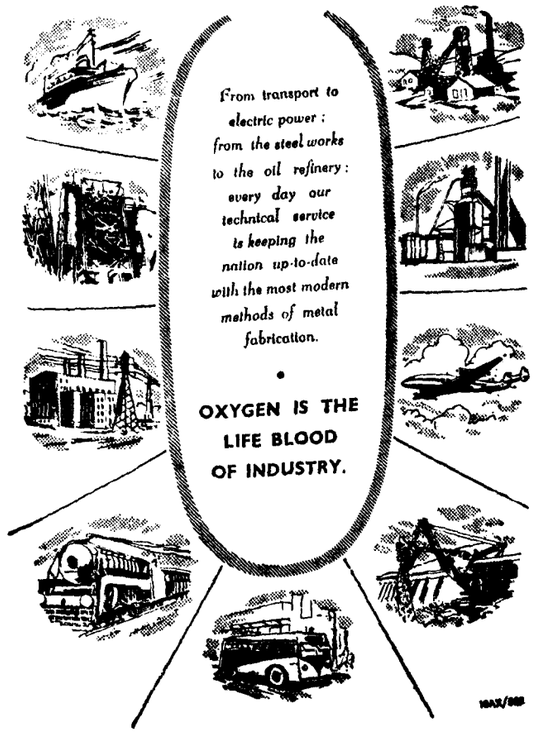
PRODUCTION AND EXPORT OF SALT

THE TOTAL salt production in the country at the present moment is 8 crore maunds annually. Nearly 7 crore maunds of it is produced from sea, and one crore from Sambhar Lake in Rajasthan. The inland consumption is about 6½ crore maunds. Although India is not only self-sufficient but surplus in salt, still it is insufficient for various industries for manufacture of soda carbonate and other bye-products of salt. In order to meet that contingency and to develop sufficient quantities for export, the Government of India have decided to increase the present production to 10 crore maunds under the second Five-Year Plan. Rock salt too is being recovered from rock salt mines in Mandi district of Himachal Pradesh. India is producing 1½ lakh maunds of crude salt annually. Nearly 1,000 maunds of iodide salt is also being manufactured daily by a factory located near Sambhar Lake.

The decision to increase salt exports to East Asia is to be welcomed as it would fetch us more foreign exchange. India exported a record quantity of 75 lakh maunds of salt this year. All exports to Japan and other foreign countries from Madras, Andhra and Bombay ports were allowed to continue on 'free' licensing to encourage export of salt. Exports from West Coast (Saurashtra and Kutch) to Japan and other foreign countries continued under licensing system, though licences were granted liberally to manufacturers as well as recognised general exporters. All exports of salt from India by sea continue to be exempted from the levy of cess.



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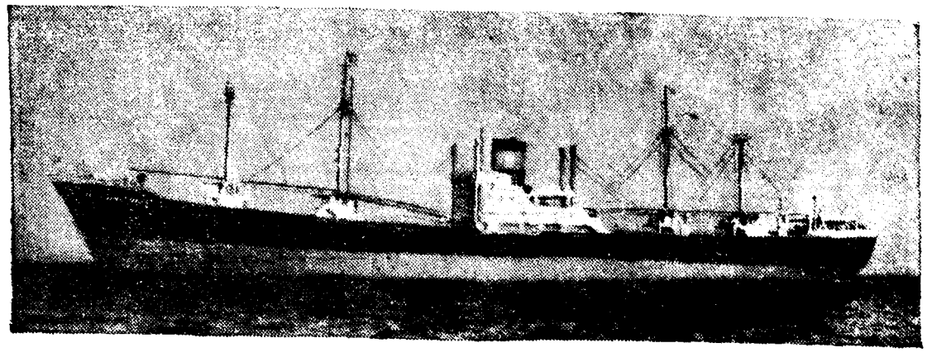
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Shri S. P. Jain

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Company Meeting

AUTOMOBILE PRODUCTS OF INDIA LTD.

Chairman's Speech at the Seventh Annual General Meeting of Automobile Products of India Limited, delivered on 17th April, 1957 at the Registered Office of the Company at Bhandup, Bombay.

It gives me great pleasure to welcome you all to the Seventh Annual General Meeting of the Shareholders of the Company. The Report and Balance Sheet for the year ending 31st July, 1956 have been in your hands for some time and with your permission, I shall take them as read.

During the year under review, your Company earned a net profit of Rs. 4,73,393-1-5. After adding the previous year's profit of Rs. 91,112-9-3 and excess provision for Taxation written back of Rs. 89,681-4-0, a sum of Rs. 6,54,186-14-8 has been carried forward as Profit in the current year. Out of this amount, the Directors have transferred a sum of Rs. 90,000 to Development Reserve and have proposed to pay the balance of the arrears of dividend on Preference Shares for the years 1953, 1954 and 1955. It is also proposed to pay dividend on Preference Shares for the year which has ended on 31st July, 1956. Thus, so preference dividend would be in arrears. This would absorb a sum of Rs. 5,60,000 and a sum of Rs. 4,186-14-8 will be carried forward as balance in the Profit and Loss Account. I hope hereafter it will be possible for the Company not only to continue payment of dividend on Preference Shares, but also to resume payment of dividend to the ordinary shareholder.

Your Company's effort to extend its activity has met with considerable success and all the Schemes are progressing on sound lines. I shall now give you a resume of the various activities in which your Company is engaged.

BRAKE LINING PLANT

The machinery was received towards the end of 1955 and was installed and trial operations commenced towards the close of the financial year. Normal production was established from the beginning of the new financial year and as regards quality, the Product has been found comparable in every respect with the American product. Selling arrangements have been concluded with Messrs. Firestone Tyre & Rubber Co. of India Private Ltd., and our experience in the few months indicates that we will have a rising volume of demand and a substantial share of the market.

LAMBRETTAS

I have indicated in my speech last year that the marketing and distribution of the Lambretta Motor Scooter had been supported by a well-planned advertising and sales promotion programme. This helped us to establish a steady and rising demand for the vehicle, which has now been recognised in India as a very economical and reliable form of transport for the individual, for the small trader and for the large commercial and industrial concerns. We had indicated to the Government that we would proceed to implement our phased manufacture once we establish a steady demand for the new product in the country, at any rate not later than the end of the 1st year. Orders have been placed through our Associates in Milan for all the machine tools, jigs, small, standard and special tools to implement the 1st phase of our approved manufacturing programme. Shipments of the above machine tools etc., have started and all the equipment will be in India in good time. We have also concluded an arrangement with Messrs. Kirloskar Oil Engines Limited to manufacture the Engine and Transmission Unit on a 5-year phased programme period. By this arrangement, a considerable responsibility, which should have normally rested on the Company, has been shared with Messrs. Kirloskar Oil Engines Limited which is a well-known firm with considerable experience in the manufacture of Engines, Machine Tools and other similar products. This arrangement has the Government's concurrence.

MEADOWS DIESEL ENGINES

The Assembly Line and Test House capable of assembling and testing 20 engines per day have been installed during the year. We have been negotiating with two primary manufacturers of commercial vehicles for fitment of Meadows 330 Engines as original equipment. One of them have accepted the engine and vehicles fitted with our engines are currently under test with the other. Agreements will be entered into with the primary manufacturers as soon as the tests are over and the engines approved by them. As the Meadows is a recognised engine and is fitted as original equipment on such well-known vehicles as Guy, Scammel and other vehicles in UK, we believe that the tests will be only a matter of formality since the engine is already a proven one.

Our Director, Mr. P. Matthen, was deputed along with our Chief Planning Engineer, to order the required machinery for the first and second year manufacturing programmes. Orders for machinery for a value of about Rs. 26 lakhs have been placed in consultation with our Associates and we have already received about 40 per cent of the machinery, which is in the course of erection. I am glad to inform you that 19 out of 95 components to be produced in the first year are under manufacture. Your Company is confident of implementing to schedule the phased manufacturing programme it has submitted to Government. In fact, we are currently ahead of schedule.

BORG & BECK CLUTCHES AND LOCKHEED BRAKE SYSTEMS

During the visit to UK of Mr. Matthen, orders were placed for machinery for manufacturing Borg and Beck Clutches. This machinery is expected to be received in the course of the next few months. Meantime, we have started assembly of Borg & Beck Clutches out

of C.K.D. components. Manufacture of Rubber Parts in the Lockheed Brake System was established and samples have already been approved by our Associates in UK. The machine tools for the Master Cylinders, Wheel Cylinders, Hose Sleeves etc., will be received in Bombay before the end of this year.

BUILDING PROGRAMME

It has been decided to expand the main factory building on the northern side to secure covered accommodation of about 20,000 sq. ft. to install the machinery and plant that will be arriving. The building is expected to cost about Rs. 2 lakhs and is expected to be completed before the next monsoon. It will also be necessary to erect warehouses at the Service Parts building to secure further accommodation of 30,000 sq. ft. The construction of this building, which has been sanctioned by the authorities, will be taken up only next year.

FINANCE

As stated in my speech at the last Annual General Meeting, we obtained a loan of Rs. 12½ lakhs initially from the Industrial Finance Corporation of India to cover the Brake Lining Plant. This was reduced to Rs. 9 lakhs to cover the actual cost of the Brake Lining Plant and a second application was submitted to them for a further loan of Rs. 26 lakhs to cover the requirements of the other Programmes. The Corporation has been pleased to grant a further loan of Rs. 21 lakhs making in all Rs. 30 lakhs, and we have drawn Rs. 20 lakhs out of this loan so far. As indicated last year, our annual turnover will go up to Rs. 3 crores and it will, therefore, be very necessary for your Company to augment its liquid resources by another Rs. 25 lakhs to meet the needs of working funds. Our turnover has increased from about Rs. 77 lakhs in 1954-55 to about Rs. 134 lakhs in the year under review and on the basis of current sale volume, will be well over Rs. 2 crores in the year which will close on 31st July, 1957. In order to maintain the progress of the Company, it will be very necessary to bring in the additional capital at an early date. A proposal to issue Second Preference Shares for Rs. 5 lakhs in payment of the arrears of Preference Dividend has already been submitted to you and has elicited favourable response from many of the shareholders, for which I am grateful to them. It is proposed to approach the existing shareholders and the public shortly for a further capital of Rs. 20 lakhs.

TARIFF COMMISSION'S REPORT ON THE AUTOMOBILE INDUSTRY

By a Resolution dated 6th August, 1955, the Government of India, Ministry of Commerce and Industry, had asked the Tariff Commission to enquire into and recommend the fair ex-Works and selling prices of the automobiles under indigenous development. The Commission took the opportunity to make a comprehensive review of the Industry since the time of its first Report in 1953. Your Company submitted a Memorandum to the Tariff Commission and appeared before the Commission at the Public Enquiry. We were also invited to a private hearing at which the programmes of the Company were discussed. We are grateful to the Chairman and the Members of the Tariff Commission for the patient hearing they gave to us and for the sympathetic consideration of our representation.

The Commission submitted its Report on 6th October, 1956. It has estimated that the annual demand for motor vehicles is likely to increase by 1960-61 to 40,000 commercial vehicles and out of this demand about 70 to 80 per cent is expected to be for the diesel-driven type. The Commission has also observed that for the effective implementation of the second Five-Year Plan, the number of additional commercial vehicles required would be much higher, provided the various factors hampering the demand were removed. It has also recommended that priority should be given for the manufacture of commercial vehicles rather than passenger cars and out of the commercial vehicles, the maximum demand would be for diesel vehicles and every effort should be made to meet this demand and that additional capacity required for commercial vehicles should be installed in the existing units rather than new ones.

These recommendations of the Commission were accepted in principle by the Government. The Commission has also emphasised the importance to establish within as short a time as possible the complete manufacture of the Engine, Transmission, Rear Axle, Suspension and Chassis Members. The recommendations of the Tariff Commission should go a long way in establishing the complete manufacture of the commercial vehicle in India within the second Five Year Plan period.

I would like to take this opportunity of tendering our grateful thanks to the Ministry of Commerce and Industry and the Development Wing (Auto.), Government of India, whose help, co-operation and advice have been invaluable.

Our thanks are also due to Mr. F. Matthen, his executives and all members of the staff and factory workers for the whole-hearted efforts that they have put in for the expansion of the activities of the Company.

In conclusion, I earnestly hope that the Company will maintain its progress, and will become a leading manufacturer in the Automobile Industry.

M. A. CHIDAMBARAM,

Chairman.

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COMPANY AFFAIRS

PROBLEMS OF JUTE MILLS

Over some time in the recent past, jute mills have been experiencing trouble as a result of a combination of various factors. There was expected improved demand from overseas markets which did not materialise with the result that stocks of finished goods increased so rapidly that half-way through the year 1956 they stood at almost double the figure recorded at the end of December, 1955. It will be remembered that it was about this time that the decision to unseal looms was first taken.

As provided in the working time agreements of the Indian Jute Mills' Association, the mills worked 48 hours per week with 12½ per cent of the total looms sealed until January 8, 1956. This was further reduced to 10 per cent from January 9 and to 5 per cent from February 20. Since the middle of 1956, the industry sealed 2½ per cent of the total looms from July 16 and a further 5 per cent on September 17; in other words, the loomage under seal reverted to the original position.

One result has been that stocks have since decreased and prices of finished goods also rose, though subsequently there was a fall. The rise in prices was caused, to an extent, by the uncertain situation in West Asia which induced all consuming markets to improve their stock position. Generally, however, the trading conditions were difficult and almost at no time was it possible to transact business simultaneously in raw jute and goods at a profit.

McLEOD & CO. GROUP OF JUTE COS.

The accounts of the four companies—the Alexandra Jute Mills, Ltd., the Chitavalsah Jute Mills Co., Ltd., the Empire Jute Co., Ltd., and the Kelvin Jute Co., Ltd.—in the group, for the half-year ended June, 1956, show that the working has not been altogether satisfactory and the profits have not been able to maintain the preceding half-year's level. While in the case of Chitavalsah the drop is only marginal, in that of others the decline is disturbing, particularly for Kelvin where profits have sharply slumped from a little over Rs. 3 lakhs to as low as some Rs. 1 lakh.

The financial results of the individual companies are reviewed below:

The Alexandra Jute Mills, Ltd.

The profit for the half-year, after providing for depreciation (Rs. 78,225) and taxation (Rs. 1.30 lakhs) and after taking into account the balance brought forward (Rs. 1,38,329) and dividends forfeited, amounts to Rs. 3,07,207. The Directors have recommended the following distribution: Dividend on 9,000 preference shares at 7 per cent per annum, for the half-year (or Rs. 3-8 per share) Rs. 31,500; dividend on 6,000 ordinary shares at 10 per cent per annum (or Rs. 5 per share) Rs. 30,000. That leaves a balance of Rs. 2,45,707 to be carried forward.

Chitavalsah Jute Mills Co., Ltd.

After making adjustments and providing for depreciation and taxation—Rs. 85,173 and Rs. 3.35 lakhs respectively—and after adding amounts brought forward, including unclaimed dividends, bad debts and the credit balance of Rs. 1,32,949, the profit for the half-year totals Rs. 4,99,785. Of this Rs. 92,820 has been paid as bonus to workers and Rs. 1 lakh transferred to reserve for machinery renewals, leaving Rs. 3,06,965 available for disposal. The Directors' recommendations are payment of a dividend on 5,000 preference shares at 7 per cent per annum (or Rs. 3-8 per share) absorbing Rs. 17,500. Another Rs. 1,88,438 is to be paid as dividend on ordinary shares at 12½ per cent per annum (or Annas 10 per share). The balance of Rs. 1,01,027 is to be carried forward.

The Empire Jute Co., Ltd.

The Company's profit for the half-year totals Rs. 1,36,491 which includes Rs. 78,204 being balance brought forward, as well as Rs. 2,197 and Rs. 5,259 being unclaimed dividend forfeited and over-provision of liability in respect of previous period written back. The profit figure has, however, been arrived at after making provision for depreciation and taxation at Rs. 1,04,900 and Rs. 77,000 respectively. From the available balance, the Directors have recommended payment of a 7 per cent per annum dividend (or Rs. 3-8 per share) on 10,000 preference shares, which absorbs Rs. 35,000. On ordinary shares, the recommended dividend of 10 per cent per annum (or 8 Annas per share) absorbs another Rs. 75,000 which leaves Rs. 1.10 lakhs to be carried forward.

The Kelvin Jute Co., Ltd.

The profit is Rs. 1,09,946 after providing for depreciation (Rs. 2,69,025) and taxation (Rs. 90,000). Together with unclaimed dividend forfeited (Rs. 10,536) and the credit balance brought forward (Rs. 1,10,851), the profit amounts to Rs. 2,31,333. The Directors' recommendations are to pay a 7 per cent per annum dividend (or Rs. 3-8 per share) on 10,000 preference shares, which takes away Rs. 35,000. On the 21,000 ordinary shares a dividend at 10 per cent per annum (or Rs. 5 per share) has been recommended which absorbs Rs. 1,05,000. The balance thus left, amounting to Rs. 91,333, is to be carried forward.

JARDINE HENDERSON GROUP

For the same period of six months, the working results of the two companies in the group, namely Kamarhatty Co., Ltd. and Kanknarrah Co., Ltd. are still more depressing. Kamarhatty has incurred a net loss of Rs. 2,84,936 after taking into account Rs. 86,624 being the credit balance brought forward and after taking credit for Rs. 1,22,999 being Commission waived by the Managing Agents. To the deficit is to be added Rs. 30,000 as provision for depreciation, raising the total to Rs. 3,14,936. This debit balance is to be carried forward.

In the case of Kanknarrah, the loss amounts to Rs. 9,06,331, after taking credit for Rs. 95,409 being Commission waived by the Managing Agents and without making provision for depreciation. The loss stands reduced to Rs. 8,24,216 after deducting the balance of profit brought forward of the order of Rs. 82,115. Together with the provision for depreciation amounting to Rs. 1 lakh, the debit balance amounts to Rs. 9,24,216 which has been carried forward.

NEW JOYRAMPORE COAL CO., LTD.

The profit and loss account of the Company for the half-year ended December 31, 1955, which is available now, discloses a net deficit of Rs. 1,11,096. This is largely made up of the loss of Rs. 1,01,726, representing the difference between the written down value and the sale proceeds of most of the Company's assets. The Company had undergone a loss in the preceding half-year also; the loss brought forward, amounting to Rs. 1,26,182, when added to the loss of the half-year under review, makes a total loss of Rs. 2,37,278. The Directors have recommended this to be carried forward.

In June, 1954, the Company's colliery was inundated and it has not been possible to resume mining operations since then.

COMMODITY NEWS AND NOTES

FINAL ESTIMATE OF CASTORSEED

The all-India final estimate of castorseed, 1956-57, puts the current year's area and production at 1,405,000 acres and 129,000 tons, as against the partially revised estimate of 1,408,000 acres and 124,000 tons, respectively for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Agriculture. This shows a decrease of 5,000 acres or 0.4 per cent in area and an increase of 5,000 tons or 4.0 per cent in production during the current year as compared to last year.

INCREASE IN AREA OF POTATOES

The all-India first estimate of potatoes, 1956-57, puts the current year's area at 573,000 acres as against the corresponding adjusted estimate of 560,000 acres for 1955-56. This shows an increase of 13,000 acres or 2.3 per cent in area during the current year as compared to last year. The increase in acreage during the current year has been shared by Bombay, West Bengal, Punjab, Madhya Pradesh, Madras and Mysore States, and has been attributed generally to favourable climatic conditions at the time of sowing. This increase has, however, been offset to some extent by decreases recorded in Uttar Pradesh, Bihar, and Rajasthan.

NEW MINERAL DEPOSITS IN ORISSA STATE

Deposits of talc, iron ore and Kaolin have been located by the Geological Survey of India in the Keonjhargarh District, Orissa State. Scattered in four areas the talc deposits contain 50 per cent of silica content. The important area where deposits are found lies south of Baliadih in a ¾-mile-long and two-furlong-wide patch. Another patch lies south and west of Keonjhargarh over a distance of 2½ miles. Two other deposits are minor in nature and are distributed in an area of 300 feet by 50 feet in the broad valley and south-west of Dalimpur.

Large deposits of high grade iron ore are noted in south-west of Suakati, north-east of Upar Jagar and Ichanda. The deposits south-west of Suakati are one mile long and three furlongs wide; at Jagar they lie over a length of one mile and a width of two furlongs. At Ichanda the deposit occurs as a thick float over an area of four square furlongs. Good deposits of Kaolin—a kind of clay—are found at several places around Keonjhargarh and several places in a zone extending over one mile west of Keonjhargarh.

INCREASE IN ACREAGE OF TOBACCO

The all-India first estimate of tobacco, 1956-57, puts the current year's area at 826,000 acres as against the corresponding adjusted estimate of 809,000 acres for 1955-56. Thus, the current year's estimate shows an increase of 17,000 acres or 2.1 per cent in area over last year. The increase in acreage during the current year has been shared by almost all the States. This increase has been particularly marked in Andhra Pradesh, Madras, Rajasthan and Bihar, and has been attributed to favourable climatic conditions at the time of sowing. This increase has, however, been offset to some extent by decreases registered in Bombay and Uttar Pradesh.

INCREASE IN SUGAR PRODUCTION

The all-India final estimate of sugar, produced directly from cane in vacuum pan factories puts the current season's production at 20.21 lakh tons against 18.62 lakh tons during the previous season. This shows an increase of 1.59 lakh tons or about 8.5 per cent in production during the current year as compared to last year. The increase in sugar production has been shared mainly by U.P. (78,000 tons), Bombay (51,000 tons), Punjab (33,000 tons) and Madhya Pradesh (11,000 tons). In Bihar, however, a fall of about 11,000 tons is expected.

U.S. IMPORTS LESS TEA

Tea imports into the U.S.A. during 1956 fell to 101,690,000 lbs. the lowest since 1952. Ceylon maintained the position of leading supplier last year with 42,870,000 lbs. while India's share was lower at 31,720,000 lbs. U.S. offtake of tea from Ceylon and India in 1955 was 78,560,000 lbs. and 36,560,000 lbs., respectively.

MANGANESE ORE EXPORT

The outlook for manganese ore exports is grim, according to reports from Calcutta. British Guiana, which started mining operations two years ago, has entered the export field and first shipments in December last year totalled 250 tons. Brazil is another country which had launched upon an ambitious plan to increase manganese ore production. Ghana is also expected to become a potential competitor of India in the export field. Indian manganese ore exports declined to 481,336 tons during the nine months ended December, 1956 from 1,030,000 tons in the same period of the previous year due to increased competition from Russia and South Africa.

PEAK CAR OUTPUT IN CANADA

Output of motor vehicles in Canada in the first three months of this year was a record at 127,023 units according to the Bureau of Statistics. This compared with 106,376 units for the first quarter last year and the previous record of 112,452 units in 1955.

FALL IN WORLD TIN OUTPUT

The International Tin Study Group of the Hague in its synopsis of the world tin position for January and February, 1957 stated that world mined production of tin in concentrates decreased from 1,52,000 tons in December last to 14,300 tons in January. World tin metal consumption during December, is estimated at 13,200 tons compared with 13,900 in November.

INDIAN EXPORT OF WOOL

The Government of India has released a further quantity of raw wool for export during the period April-September, 1957. Exports will be allowed by established shippers and new comers as in the previous period.

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S. T. SADASIVAN

The Standard Mills Company, Limited

NOTICE is hereby given that the Sixty-second Annual General Meeting of the Standard Mills Company, Limited, will be held at the Registered Office of the Company at Mafatlal House, Back Bay Reclamation, Bombay, on Friday, 10th May, 1957, at 4 p.m. (S.T.), to transact the following business :-

(1) The receive, consider and adopt the Directors' Report and the audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st December, 1956.

(2) To sanction the declaration of dividend on 1st and 2nd Preference Shares and on Ordinary Shares, and Bonus on Ordinary Shares.

(3) To elect a Director in place of Shri Chimanlal Bapalal Parikh who retires by rotation under Article 161 of the Articles of Association of the Company and being eligible offers himself for re-election.

(4) To elect a Director in place of Shri Jayantilal Damodardas Vasa who retires by rotation under Article 161 of the Articles of Association of the Company and being eligible offers himself for re-election.

(5) To elect a Director in place of Shri Arvind N. Mafatlal who retires under Article 141 of the Articles of Association of the Company and being eligible offers himself for re-election.

(6) To elect a Director in place of Shri Yogindra N. Mafatlal who retires under Article 141 of the Articles of Association of the Company and being eligible offers himself for re-election.

(7) To appoint Auditors for the current year and to fix their remuneration.

AND NOTICE IS HEREBY FURTHER GIVEN that the following business shall be transacted at the said Meeting as Special business:

(8) To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"Resolved that in accordance with the provisions of Section 360 of the Companies Act, 1956, the Company hereby approves of the contract of tenancy made by the Company with Messrs. Mafatlal Gagalbhai & Co. Private, Ltd., an Associate of the Managing Agents of the Company, in respect of the office accommodation admeasuring 3,472 sq. feet in Mafatlal House, Back Bay Reclamation, belonging to the said Mafatlal Gagalbhai & Co. Private, Ltd., as from 1st January, 1956, as a monthly tenant at a monthly rent of Rs. 1,736 and that the Company do after 1st March, 1958, continue the said tenancy on such terms and for such period as the Directors may deem fit and also take either before or after 1st March, 1958, such further accommodation in the said building for such period and on such terms as the Directors may deem proper."

(9) To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"Resolved that in accordance with the provisions of Section 360 of the Companies Act, 1956, the Company hereby approves of the arrangement made by the Company with the Sassoon Spinning and Weaving Co., Ltd., an Associate of the Managing Agents of the Company for supply by the said Sassoon Spinning and Weaving Co., Ltd., to the Company of air-conditioning facilities in respect of 3,174 sq. feet of the Company's office premises in Mafatlal House, Back Bay Reclamation, Bombay, from 1st January, 1956, at the rate of Rs. 794 per month and that the Company do continue the said arrangement after 1st March, 1958, for such period and on such terms as the Directors may deem fit and also take such further air-conditioning facilities in respect of their office premises either before or after 1st March, 1958, for such period and on such terms as the Directors may deem proper."

(10) To consider and if thought fit to pass with or without modifcaion the following resolution as a Special Resolution:

"Resolved that under the provisions of Section 360 of the Companies Act, 1956, the employment in the Company of Shri Krishnalal Ratilal Sitwala, who is a relative of Shri Hemant B. Mafatlal, a partner in Messrs. Mafatlal Gagalbhai & Sons, the Managing Agents of the Company, as a Part-time Spinning Consultant on a monthly salary of Rs. 200, be and is hereby approved."

By Order of the Board,

For The Standard Mills Co., Ltd.,

MAFATLAL GAGALBHAI & SONS,
Managing Agents.

"Mafatlal House,"
Back Bay Reclamation,
BOMBAY, 18th day of March, 1957.

N.B.—(1) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.**

(2) The Transfer Books of the Company will remain closed from Monday, 22nd April, 1957, to Friday, 10th May, 1957 (both days inclusive).

(3) The Dividends when sanctioned will be made payable from Monday, 13th May, 1957, to Wednesday, 31st July, 1957, at the Bank of Baroda, Ltd., Reclamation Branch, Bombay, during banking hours and thereafter at the Registered Office of the Company during office hours on all week days to those shareholders whose names stand on the Register on Friday, 10th May, 1957. The shareholders are requested to intimate immediately any change in their registered address to the Company.

ANNEXURE TO THE NOTICE

(Explanatory Statement as required by Section 173 of the Companies Act, 1956)

To,

THE SHAREHOLDERS,

OF THE STANDARD MILLS CO., LTD.

In conformity with the Companies Act, 1956, the following Explanatory Statement as required by Section 173 of the aforesaid Act sets out all material facts relating to the Special business mentioned in the Notice dated 18th March, 1957.

In Respect of Item No. 8 of the Notice:

The Company has rented from Messrs. Mafatlal Gagalbhai & Co. Private, Ltd., a portion of their build-

ing known as Mafatlal House in Back Bay Reclamation, as a monthly tenant at a monthly rent of Rs. 1,736 from 1st January, 1956. The said Messrs. Mafatlal Gagalbhai & Co. Private, Ltd., are an Associate of Messrs. Mafatlal Gagalbhai & Sons, the Managing Agents of the Company. The said premises are suitable for the Company's office and will be required by the Company for a long time even after 1st March, 1958, when the said contract will terminate under Section 361 of the Companies Act, 1956. As the said Mafatlal Gagalbhai & Co. Private, Ltd., are an Associate of the Managing Agents, the said contract requires to be approved under Section 360 of the Act by the Company in General Meeting by a Special Resolution. It is desirable that the Directors be authorised to continue occupation of the said premises after 1st March, 1958, when the said contract will terminate under Section 361 of the Companies Act, 1956, on such terms and for such period as the Directors may deem fit and also to take such additional accommodation in the said premises either before or after 1st March, 1958, for such period and on such terms as they may deem proper.

The following Directors of your Company are partners in Messrs. Mafatlal Gagalbhai & Sons, the Managing Agents of the Company, and they are also Directors and Members of Mafatlal Gagalbhai & Co. Private, Ltd., and hold shares in the said Company as set out below against their respective names and as such they are interested in the said contract of tenancy:

1. Shri Arvind N. Mafatlal—Holds 1,158 Ordinary Shares and 5,250 Preference Shares.
2. Shri Yogindra N. Mafatlal—Holds 1,308 Ordinary Shares and 5,250 Preference Shares.
3. Shri Rasesh N. Mafatlal—Holds 1,458 Ordinary Shares and 5,250 Preference Shares.

Shri Hemant B. Mafatlal is a partner in Messrs. Mafatlal Gagalbhai & Sons, the Managing Agents of the Company. He is also a Director and Member of Mafatlal Gagalbhai & Co. Private, Ltd., and holds 3,650 Ordinary Shares and 1,480 Preference Shares in the said Company and as such he is also interested in the said contract of tenancy.

In Respect of Item No. 9 of the Notice:

The Company has made arrangements with the Sassoon Spinning and & Weaving Co., Ltd., an Associate of Messrs. Mafatlal Gagalbhai & Sons, the Managing Agents of the Company, for supply of air-conditioning facilities to an area of 3,174 sq. feet of the Company's office premises in Mafatlal House, Back Bay Reclamation, Bombay, as from 1st January, 1956, at the rate of Rs. 794 per month, and as such the said arrangement requires to be approved by the Company in General Meeting by a Special Resolution under Section 360 of the Companies Act, 1956. The said arrangement will terminate on 1st March, 1958, under Section 361 of the Companies Act, 1956. It is desiraole that the Directors be authorised to continue the said arrangement after 1st March, 1958, for such period and on such terms as the Directors may deem fit and also to take such further air-conditioning facilities in respect of the Company's office premises either before or after 1st March, 1958, for such period and on such terms as the Directors may deem proper.

The following first four Directors of your Company are interested in the said arrangement inasmuch as they are Directors and Members of the Sassoon Spinning & Weaving Co., Ltd., and holds shares in the said Company as set out below against their respective names, the fifth one is only a Member in the said Sassoon Spinning & Weaving Co., Ltd:

1. Shri Arvind N. Mafatlal—Holds 550 [illegible]
2. Shri Yogindra N. Mafatlal—Holds 55[illegible]
3. Shri Kaushikprasad Chandulal—Holds 55[illegible]
4. Shri Jayantilal D. Vasa—Holds 3,000 shares
5. Shri Chimanlal B. Parikh—Being Member h[illegible] 100 shares.

Shri Hemant B. Mafatlal is a partner in the Messrs. Mafatlal Gagalbhai & Sons, the Ma[illegible] Agents of the Company. He is also a Dire[illegible] Member of the said Sassoon Spinning & Wea[illegible] Ltd., holding 50 shares therein and as such h[illegible] interested in the said arrangement.

In Respect of Item No. 10 of the Notice:

Shri Krishnalal Ratilal Sitwala, who is a[illegible] of Shri Hemant B. Mafatlal, a partner in Mafatlal Gagalbhai & Sons, the Manging Agent[illegible] Company, and who is in the employ of the [illegible] as a Part-time Spinning Consultant on a[illegible] salary of Rs. 200, and as such, the approval of[illegible] pany in General Meeting under Section 3[illegible] Companies Act, 1956, is necessary.

By Order of the Bo[illegible]

For The Standard Mills Co.,

MAFATLAL GAGALBHAI &

Managin[illegible]

The Sassoon Spinning Weaving Company, Limi[illegible]

NOTICE

THE Eighty-Fourth Annual General Meet[illegible] Shareholders of the above Company will [illegible] the Registered Office, Mafatlal House, Bac[illegible] clamation, Bombay, on Friday the 10th Ma[illegible] 3-0 p.m. (S.T.), to transact the following b[illegible]

1. To receive and adopt the Directo[illegible] Audited Balance Sheet and Profit [illegible] Account for the year ended 31st [illegible] 1956.
2. To declare a Dividend.
3. To elect a Director in place of Shri [illegible] Mafatlal whose term of office expi[illegible] Annual General Meeting under [illegible] Association of the Company and bei[illegible] offers himself for re-election and [illegible] following Resolution.

   "Resolved that Shri Arvind N. [illegible] and is hereby elected Director of [illegible] pany."
4. To elect a Director in place of Sari [illegible] D. Vasa whose term of office expir[illegible] Annual General Meeting under A[illegible] Association of the Company and being [illegible] offers himself for re-election and to p[illegible] following Resolution.

   "Resolved that Shri Jayantilal D. [illegible] and is hereby elected Director of the C[illegible]
5. To elect a Director in place of Sh[illegible] N. Mafatlal who retires by rotatio[illegible] eligible, offers himself for re-electi[illegible]
6. To elect a Director in place of Shri [illegible] S. Mahadevia who retires by rot[illegible] eligible, offers himself for re-electio[illegible]

Th[illegible]-lect a Director in place of Shri Bhupendra [illegible]Shabhai who retires by rotation but being e[illegible]ble, offers himself for re-election.

NO[illegible] To consider and if thought fit to pass the Ge[illegible] following Resolutions as Special Resolutions ed. with or without any modification:
at
Fric[illegible]

Special Resolution

the fo[illegible] "Resolved that the Company hereby approves of the continuance of the employment of Shri [illegible]artikeya K. Mahadevia, who is an associate

(1) [illegible] M.G. Investment Corporation Private Ltd., [illegible]e Managing Agents of the Company, as [illegible]ores Purchasing Officer of the Company and [illegible]at he be paid a remuneration of Rs. 1,250

(2) [illegible]r month as from 1st January, 1957 exclusive [illegible] any other benefits appertaining to the said [illegible]ost and that the Company do after 1st March, [illegible]958 continue the said appointment so long as

(3) [illegible] Directors may deem proper and the Direc[illegible]s be and are hereby authorised to increase [illegible] remuneration from time to time and to such [illegible]tent as they may deem proper."

(4) [illegible]

Special Resolution

[illegible] Resolved that in accordance with the [illegible]visions of Section 360 of the Companies [illegible], 1956, the Company hereby approves of [illegible] arrangement to transfer the telephone [illegible]ion[illegible]ng to the Company to the Mafatlal Fine

(5) [illegible]inning and Manufacturing Company, Ltd., [illegible] associate of M.G. Investment Corporation [illegible]'vate Ltd., the Managing Agents of the Com[illegible]b[illegible], on a payment of Rs. 3,500."

(6) To [illegible]ppoint Auditors for the current year and N[illegible]eir remuneration.

th[illegible]ct any other business the Chairman may b[illegible] before the Meeting.

(7) To [illegible] Books of the Company will be closed from to [illegible] 22nd April, 1957 to Friday the 10th May, AND [illegible]ys inclusive.

that the f[illegible] By Order of the Board of Directors,

said Meeti[illegible]

[illegible]. Investment Corporation Private Ltd.

(8) To [illegible] ARVIND N. MAFATLAL,

wit[illegible] Director, Managing Agents.

as [illegible]

[illegible]ise,

vis[illegible]

19[illegible]eclamation,

con[illegible]th March, 1957.

wit[illegible]

Ltd[illegible]dend, as recommended by the Directors, the[illegible]ed at the General Meeting, will be paid mo[illegible]ay 1957 to 31st July, 1957 at the United H[illegible] [illegible]ank Ltd., Churchgate Reclamation th[illegible].ba[illegible], during business hours and thereafter L[illegible]tered Office of the Company during office t[illegible]ing Saturdays to those Shareholders whose [illegible] on the Company's Register as on 10th May,

[illegible]

a[illegible]lders are requested to intimate immediate-su[illegible]ge in their registered address to the Com-in[illegible]

Di[illegible]er entitled to attend and vote at the

(9) To [illegible]itled to appoint a proxy to act and vote wit[illegible]mself or herself and a proxy need not as [illegible]

"[illegible]

v[illegible]

[illegible]

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CURRENT STATISTICS

Regd. No. D—314.

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	285.4	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
1956-57 ..	388.5	501.9	402.3	394.6	559.3	414 0	—	—	—	—
September 1956 ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October „ c ..	392.5	503·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November „ c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December „ c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February „ c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March „ c ..	402·5	518·0	403.3	384.1	569.8	421.2	89.9	98.9	89.8	111.5
Week Ending										
16-2-1957 ..	407.7	517.5	407.6	385·0*	577.7*	424.2*	89.8	99.0	79.6	113.6
23-2-1957 ..	403.0	514.5	405.4	384·1	579.4	421.6	89.9	99.0	79.6	112.1
2-3-1957 ..	402.8	516.3	403.2	384.0	574.9	421·2	89.9	98.9	79.8	110.9
9-3-1957 ..	402·4	519.3	403.7	384.2	569.7	421 5	90.0	98.9	80.0	111.9
16-3-1957 ..	402.3	514.1	404.1	384 5	567.9	420.8	90.0	99.0	80.1	111.9
23-3-1957 ..	403.6	520.8	403.8	386.9	567.1	422.0	89.9	98.9	79.7	111.5
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7	90.0	98.9	79.3	109.2

Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	136
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	144
1951	314	330	[illegible]	142	370	451	391	168	334	167	160	147
1952	321	337	[illegible]	143	351	441	380	150	330	151	154	145
1953	346	363	276	140	349	453	387	151	351	147	156	139
1954	342	359	244	138	327	408	373	139	341	148	140	132
1955	322	338	218	130	323	371	364	133	321	134	135	
1956 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	140
May	341	357	236	141	342	408	397	153	356	149	144	142
June	342	358	240	141	350	419	399	156	365	151	144	144
July	338	354	244	144	365	436	413	153	369	153	148	148
August	344	361	253	147	369	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	340	356	—	151	356	436	—	—	370	—	—	150
1957 January	339	355	—	—	354	436	—	—	372	—	—	149

†Base 1494=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	5-4-1957			29-3-1957			22-3-1957			15-3-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	106- 0	104- 8	105- 3	106- 1	105- 2	105-12	105-14	104- 8	105- 4	106-10	105- 7	106-
Silver (per 100 fine tolas)	180- 2	177-10	178-15	180- 6	174- 9	177-15	179-12	174-10	177- 8	179- 3	177- 9	178-

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The Eastern Economist

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The State of the Nation

WITH the election of the President and the Vice-President of the Indian Union and the assembly of the new Lok Sabha in the second week of next month, it is hoped that the powerful political current which has operated in the last few months will abate and give place to a sober, and possibly not so cheerful, view of our economic affairs. It has been a misfortune that these three months have been so distracting politically; they have contained a growing pressure on our economic affairs. It is right that the situation should be viewed now in objective terms.

The electorate cannot solve economic problems with the remarkable ease with which it chooses political representatives. And here there will be no agreement on the result. There will be one view of these presented by the Finance Minister in his Budget Speech next month. Almost certainly it will be a far gloomier picture than the one he presented in March, though that was by no means free from concern. What can be said about the state of the nation's economic affairs at this time?

A leader of the Indian business community, Mr. G. D. Birla has chosen a similar theme for his response last week in Bombay to an address of congratulation on the title conferred on him recently by the President of India. Mr. Birla admits that the business world is facing a crisis, but refuses to believe that such a crisis should be a major deterrent to enterprise. He believes that a business man lives in some such world as this with losses and gains essentially intermittent, the results of what should be a continuous operation of enterprise. Mr. Birla does not read into the current economic situation any reason for a loss of heart in the business community. Almost certainly he was not speaking as a typical Indian business man in this situation. If he were, the need for encouraging his colleagues in industry would have been redundant. While, therefore, one needs to record, with the weight which is due to it, Mr. Birla's robust optimism, one need not claim that it represents either the view of the business community or necessarily the kind of assessment that the Finance Minister will produce next month.

It is clear enough that something is wrong with the economic system. Is it that agriculture has paused excessively whilst industry has rushed forward unduly, or that the balance between them has been disturbed by an undue rise in the price of food grains not connected with a shortage of supply. Or is it that monetary stringency, irrespective of the performance in agriculture and industry, has hindered new enterprise; or that expectations have become bearish because of the possibility of heavy taxation in May? Any of these possible explanations might fit a particular situation but it is probable that all together are required to explain the relative suspension of economic optimism at this time. The one fact that is clear is that something is wrong. Therein lies the danger; everyone is conscious of a disease. Nobody has a certain remedy.

A partial remedy would, however, appear to lie in quickly overcoming the food crisis — a crisis that is now developing in much the same way as in the beginning of the first Plan and belying the optimism engendered by the heartening performance of agriculture in the last three years of that Plan. Already 'near famine' conditions are reported in Bihar; and Uttar Pradesh and Bombay, not to speak of Kerala and Rajasthan, are just on the borderline of scarcity. Prices of rice and wheat in the free market have shot up by 50 per cent or more in recent weeks in Bihar alone, and fair price shops with their slender supplies have obviously not been adequate.

In so far as this situation is the result partly of a relative scarcity of supplies — for it is clear that the maximum possible marketable surplus can be had only when production is about 65 million tons — the obvious remedy lies in rushing more supplies to the fair price shops and opening more of such shops. But where are the supplies? Fortunately the planners are not wholly unprepared for this emergency. They have merely to negotiate a revision of the 1956 agreement with the United States under which 3 million and odd tons of surplus wheat are to be imported by the middle of 1959. Already in the first year (1956-57) imports of wheat and rice of the order of 800,000 tons appear to have come in under the agreement. A possible revision of the agreement so as to enable this country to import the entire agreed quantity of wheat by the middle of 1958 is clearly called for. It may be that American wheat alone can save the situation now even as it did in that dismal year of 1951. The only bottleneck here is that of shipping, but this can be partly overcome by possible chartering of ships on special terms. The prospect, for the returning ships, of carrying manganese ores and the like (thanks to the deals put through by the State Trading Corporation) to the United States and elsewhere may well facilitate expeditious deliveries of food grains. Fortunately for this country, the Suez canal is open again, and this would mean a great deal in terms of time and tonnage saved.

The American wheat would come in handy not only for relieving scarcity and holding the price line (which can only be upset by rising food grain prices in the initial stage) but, what is no less important, for making its rupee sale proceeds available on a larger scale for the Government as well as the Refinance Corporation in the current year. The Refinance Corporation, in particular, should go some way in relieving monetary stringency in the private sector. The report that in the Finance Minister's recent discussions in Bombay this question of stringency figured prominently, encourages the hope that something positive will be done soon to arrest the rise in the demand for bullion and quicken the pace with which bank deposits can rise. For, the Finance Ministry is certainly not happy over a situation in which bank deposits have not risen in keeping with the increased notes in circulation. The problem here is how to deal with sources which are not acquainted with banking and productive investment -- sources to which there has undoubtedly been a significant shift of income in recent years.

As we go to the press, the news comes in that the Government are reordering the second Plan's priorities in the light of the critical food situation and the foreign exchange crisis. The annual plan for 1957-58 may well be pruned to a size of Rs. 750 to Rs. 800 crores as against Rs. 915 crores proposed in the Interim Budget. At the same time the report (which quotes authoritative sources) has it that the planners have no intention of cutting down the targets of the second Plan. This, in turn, may mean that the Plan period would be extended.

One might argue that while we wait for the Finance Minister's Budget proposals, one should not add, as is relatively easy on this occasion, one's own despondency to the feeling of psychological defeat which tends to spread. As there is no need for excessive despondency, there is no justification for excessive optimism. A process of consolidation is under way in our economic affairs; necessarily this process will correct errors on both sides. One can look forward to such a process of consolidation without losing hope for a brighter future or without hankering after the unhappy past beyond which we have already moved.

Company Deposits

THERE is reason for the business community to heave a sigh of partial relief that the enforcement of compulsory deposits of company reserves will not be so drastic as it originally threatened to be. When the Finance (No. 3) Bill, 1956, was introduced in Parliament, the business world was treated to a shock. This extraordinary measure of fiscal control caused genuine apprehensions that the corporate sector would be hamstrung in the matter of the use of reserves at a time when stringency in the money market had long put it in hard straits. It appeared as though additional stringency for the private sector did not count for much if only it would ease stringency for the public sector.

The Finance Minister's assurances on the floor of the House as well as outside helped to clear the fears and suspicions. Confidence was steadily created that handicaps to legitimate business activity would be minimised. The Finance Ministry showed no impatience in framing the rules for the administration of the deposits. The rules which have now been framed in a draft form reflect the fruits of preliminary consultation. Comments and suggestions have been invited before the final version of the rules is decided. There is a promise that the administration of the deposits will be informed by practical understanding.

The draft rules which have been released for scrutiny are restricted in their application only to compulsory deposits of a maximum of 75 per cent of the balance, in excess of one lakh of rupees, of current annual profits, after deducting tax and dividends but not depreciation. The second category of deposits provided for relates to a maximum of 25 per cent of the accumulated profits and reserves not represented by fixed assets. Enforcement of this latter provision has been postponed for the time being. This is a significant decision. It saves a large majority of industrial and business concerns from rendering compliance with an obligation which would have caused considerable upsets. It is to be presumed that this dubious experiment will not be launched until the working of the deposits in respect of the relatively small category is watched and observed for its consequences on company finance and legitimate business activity. Here is to be found encouraging assurance that this novel method of financial control is to be put on trial with a cautious approach. If this wise decision is to retain its grace, there must be no hurry to bring accumulated profits and reserves within the clutches of statutory compulsion.

The provisional rules have evoked good reaction in a general way. There are certain saving features which would operate to blunt the rigours of governmental control in a sensitive segment of the corporate sector. The overall intention behind the rules is to temper control with sweet reasonableness. Deposits can be made in the form of government securities at market value in lieu of cash. This option has two-fold advantage. While it facilitates companies which have invested their reserves partly in government paper, it saves such securities from depreciation under pressure of sales and also saves the Reserve Bank from the possible contingency of open market operations.

Representations can be made for relief from the obligation to make the deposit in a lump sum, although the procedure is cumbersome. A Board of Referees is to be set up to entertain appeals against the decisions of the Commissioners of Income-tax in respect of requests for deposits in instalments as well as in claims for refunds. The efficacy of the Board of Referees must obviously depend upon how far it is inclusive of a wide cross-section of interests as well as technical experts in company finance. Banking companies and insurance companies have been granted exemption from the obligation to make deposits. Electricity undertakings engaged in generation or distribution of energy are already subject to a complicated scheme of financial controls under the special Act. They have earned well-merited exemption.

Significant gaps nevertheless remain in the draft rules which ought to be wiped out in the final version. Since the statutory provisions governing compulsory deposits are to be extended in the first instance to current profits, the definition of profits becomes crucial to the nature of the scheme. The definition of income adopted in the rules is the same as that accepted for the purpose of assessment of income-tax, where certain outgoings of monies are included in the income. This process inflates the size of the profits notionally. There is need to modify the definition to take cognizance of such outgoings so that what is brought within the ambit of compulsory deposits is the actual surplus representing the objective position. The only loans allowed to be set off against the deposit liability are those borrowed against the security of fixed assets and no others. Other types of borrowings for the purpose of business cannot be discriminated against, for this is the effect of the rules as now drafted.

The omission in the rules of any time limits for decisions to be taken by Commissioners of Income-tax or the Board of Referees is most certain to cause delays that may add to the strains of financial management of companies. The due date for making deposits is fixed as June 30 and variations admitted in consonance with the accounting years of companies are quite restricted. It coincides with the period of peak expenditure for industries like tea plantations. Apart from these facts, the net effect of a rigid, uniform deadline for making deposits is bound to exert heavy pressure on banks by withdrawal of deposits or demands for loans. Staggering is clearly dictated on grounds of overall convenience.

While some small mercies have been shown in the form of dilution of the scheme of compulsory deposits, the extent to which the rigours of control of reserves can be mitigated will be conditioned entirely by the manner in which the scheme is administered. Determination of the quantum of deposits will undoubtedly entail numerous complicated problems. Refund of deposits forms the real crux of the entire scheme. While it is now reasonable to expect that repatriation will not be difficult, it can hardly be believed with confidence that the operation will be painless for company managements. The official machinery and the Board of Referees have to impart positive helpfulness to the administration of this novel control.

The Future of the Akali Dal

THE Akali Dal, the premier religio-political organization of the Sikhs, is in a crisis. The crisis is caused by the sharp cleavage in its ranks on whether the merger with the Congress should continue. Formally, the Akali Dal has eschewed politics and a large number of its leaders and members have joined the Congress. But the Akali chief, Master Tara Singh, with a substantial following, is again on the war path against the ruling party.

The Akali chief had actually become bellicose before the ink on the Congress-Akali merger agreement was dry. Some at least of his colleagues — Sardar Hukam Singh and Giani Kartar Singh notable among them — had not lately been enthusiastic about their chief's sound and fury. They remain firmly with the Congress, and have professed unflinching loyalty to the party of their adoption. The result is that they are, on the one hand, suspect in the eyes of several local Congressmen, who have lost largely their former positions and influence inside and outside the Congress, and on the other, they are derided by many of their own community who have come to harbour a vague grievance against them for what they consider as a betrayal of the *Panth*. This puts the adherence of the merger in an unenviable position; it also encourages the Akali chief inflexibly to oppose them and the Congress. Since it was he who had brought the merger agreement with the Congress, the situation contains an element of irony. In the din, confusion has become worse confounded.

On second thoughts the Akali chief was apparently assailed by misgivings about the wisdom of the merger. He was bold enough to admit that he had committed a grievous mistake, and that the conflict in his mind did not allow him to reconcile himself to the separation of religion and politics. The mental conflict was evidently accentuated by the post-merger course of events. Master Tara Singh appears to have felt impelled to avenge the attitude towards him of the Congress leaders in the matter of distribution of tickets on the eve of the recent general elections. He contends that, since the Akali nominees won 111 of the 132 seats contested in the elections to the Gurdwara Parbandhak Committee, the distribution of the tickets to the Akalis by the Congress in the recent general elections should have been in similar proportion. But the nationalist Sikhs, who had been routed by the Akali nominees in the Gurdwara Parbandhak Committee elections, were given nearly as many tickets. This, the Akali chief maintains, was grossly unjust and contrary to the promise made by the Congress leaders.

It was on this ground that while he supported some of the Congress candidates, he opposed others and put up his own candidates in 31 constituencies. But far from seeing the wisdom of the Congress choice, reflected in the utter defeat of his nominees -- only two of his candidates managed to scrape through — he has been embittered and has allowed himself to be driven to carry on incessant propaganda against the Congress and against his former colleagues. He is determined to maintain the separate political entity of the Sikhs and is working for the revival of the Akali Dal as a political organization.

According to his former colleagues, now in the Congress, the Congress-Akali merger was a logical culmination of the agreement between the two parties on the Regional Formula for the Punjab. Under that Formula, the Congress had accepted their demand for the recognition of Punjabi as a regional language of the State; and amended the Scheduled Castes Order so as to grant equal treatment to Hindu and Sikh backward classes. The Sikh demand for a Punjabi-speaking State was not conceded. But the Akali Dal had itself willingly given up, in effect, this demand in favour of that for a region inside the Punjab State. Their demands having been conceded, it was incumbent on the Akalis to make a concerted effort along with Congress, to implement the Regional Formula. These efforts could be fruitful only if all the forces pooled their resources and collaborated. This reasoning explains why the general body of the Akali Dal unanimously advised its members to join the Congress. (The advocates of the Hariana Prant –the Hindi-speaking zone of bilingual Punjab — had already joined the Congress once their fears of the rule of the people of the Punjabi zone had been set at rest.)

This merger was, in fact, a reunion of two sister parties estranged in 1945 on the issue of Pakistan. Ever since its inception in 1925, the Akali Dal had been fighting shoulder to shoulder with the Congress in the country's struggle for freedom. Even after 1945, when it fought the general elections as an independent entity, the Akali Dal extended full co-operation to the Congress during the Simla Conference and in the parleys with the Cabinet Mission. Soon after partition, in March 1948, the Akali Dal advised its legislators to join the Congress Legislative Party in the East Punjab Assembly to strengthen the hands of the nationalists against communal forces. It recalled its legislators in July, 1950, when it, especially the Akali chief, felt that the Sikhs were being discriminated against. With the agreement on the Regional Formula, it was but natural that the Akali Dal should have again coalesced with the Congress.

Doubtless, the general public judges the Sikhs by Master Tara Singh's actions and statements. But despite the fact that he is still the most powerful Sikh leader, it would be wrong to equate him with the Sikh community. This is evident from the fact that concrete results of the merger have been heartening despite his relentless campaign against it. The Communists who lost no time in exploiting the Congress-Akali strife to their advantage, witnessed a rise in the stature of some of their leaders, but could not consolidate their position. During the recent general elections all of their stalwarts have been defeated. Only in a few neglected constituencies did the Communists win.

This does not, however, imply that the fires of Communism and communalism have been finally extinguished in the Punjab. There are still many unresolved misunderstandings of the past between the two communities. It would be easy for trouble-makers to exploit these differences. Since many Congressmen still view political and economic problems in a narrow, communal perspective, the Congress organisation may once again be riven with factionalism to the great advantage of the Akali leader. The future of the Akali Dal may thus be said largely to depend on what goes on inside the Congress.



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THE WEEK'S NOTES

SQUARING THE CIRCLE

IT IS a pity that the role of foreign capital is often neglected in current discussions pertaining to the Plan. Mr. K. P. Goenka has, therefore, done well in drawing attention to this aspect in his lucid presidential address at the annual meeting of the Indian Chamber of Commerce this week. He has shown how foreign capital is important not only from the point of view of getting loans to Government projects in the public sector but primarily also for supplementing the resources of the private sector in dire need of additional capital resources. The current financial stringency and the foreign exchange crisis have only added a further sense of urgency to the need for attracting foreign equity capital in a greater measure than hitherto and it is for Government to create the necessary favourable conditions in this respect. Mr. Goenka has here made a number of suggestions which deserve consideration. One is that despite Government's Industrial Policy Resolution, a more positive policy is necessary with regard to nationalisation, which is still causing apprehension in the minds of foreign investors. Unless this is done, more and more of foreign capital is likely to seek outlets in the many under-developed countries in Africa, Latin America and Europe. Secondly, there is the question of double taxation, and unless relief is given in this regard, the foreign investor is not likely to show any excessive interest in the development plans of this country. Allied to this is also the question of giving tax relief to foreign technical personnel who should be given the necessary inducement to make it worth while for them to come to this country.

Another aspect of foreign assistance to which Mr. Goenka has drawn attention relates to the deferred payment plan with regard to the import of capital goods. Here he has pointed out certain snags and expressed doubts whether the main suppliers of our capital goods would be in a position to make them available under the conditions stipulated by Government. For one thing, the period of payment is important and the producers are likely to deal with countries who offer more attractive terms. Already some countries seem to be demanding Government guarantees regarding the payment of outstanding amounts. Secondly, from the point of view of the importers, it is estimated that on the basis of deferred payment, the cost of capital goods may further increase by about 25 per cent. It will be thus hardly surprising if the deferred payment plan leads to a slowing down of imports. In the face of the many difficulties which he himself has shown, it is not known how Mr. Goenka feels that the level of imports of capital goods has to be maintained to fulfil the targets. It is here that one notices a fallacy. Mr. Goenka has correctly diagnosed the current economic malady as arising from shortage of funds for economic activity, deterioration in exports and a rising price level in the agricultural sector. Yet he fights shy of suggesting restrictions in the targets of the Plan as he apprehends that it would tend to slow down the rate of the country's economic development. If the resources are not simply there, how does it avail in clinging to impossible targets? Can one ever square a circle?

US ENVOY ON STATE'S ROLE

MR. ELLSWORTH BUNKER, US Ambassador to India, has made a number of speeches in recent weeks—each important in its own way. But his latest speech at the Indian Junior Chamber of Commerce in Delhi is easily the best of them all in the sense that it displays his sympathetic understanding of the vital basic needs of the Indian economy. The American envoy's view that economic development in India would require greater Government participation than in his country because the rate of capital formation here is relatively lower than in his, is significant. In recognising that India's mixed economy has assigned a crucial role to the State —a role in no way qualitatively different from the one performed by the State in his own country—Mr. Bunker, however, is not unmindful of the quantitative difference. In the United States, the State has all along laid down the rules of the competitive incentive system so as to ensure fair competition. By sponsoring construction projects in which the immediate return would have been too low to attract private capital, it has stimulated private investment in several lines. But this pioneering role of the State has all along been within certain defined limits consistent with the American belief "that wherever private capital finds the incentive to invest, the job will be done more economically and more efficiently than by the Government and, therefore, at a lower cost to the consumer."

While it may be conceded that an under-developed country like India has necessarily to assign a larger role to the State, the supremely relevant question is how much larger it can be. Mr. Bunker's observation that in both India and the United States private investment has a major role to play is no doubt true of the present. What cannct be clearly foreseen is where the State will stop in India. If, as the American Ambassador thinks, India potentially is a much larger mass market than the United States, the logical thing to do would be to continue to maintain the present position of the private sector relative to the public sector, so that competitive private enterprise may cater efficiently and cheaply to the prospective mass market.

ASIAN JURISTS MEET

THE ASIAN JURISTS' CONFERENCE, now in session in New Delhi, is the first of its kind in this continent. Its convening is dictated by an urge to have a fresh approach to international law so far based on European concepts. The Asian Legal Consultative Committee (which has convened the conference) is to examine questions that are under consideration of the International Law Commission, advise the Governments of participating countries on legal problems that may be referred to it and exchange views and information on legal matters of common concern. Participating at the Conference are delegations from six Asian nations—Burma, Ceylon, India, Indonesia, Japan and Syria. Iraq is also a member of the Committee. The absence of Pakistan, Nepal and China from this meet is indeed regrettable, but it is to be hoped that in due course these countries also will come in.

It is well known that international law as we know it has been developed to suit the needs of European colonial powers and protect the metropolitan interests. With the emergence of independent countries in Asia and Africa, the need to adapt and interpret international law in the light of changes in the social and political structure of the contemporary world has become imperative. This point of view was implicit in Prime Minister Nehru's speech at the Conference in the context of the metropolitan powers' use of colonial possessions for nuclear tests. The question posed by the Prime Minister — Can any nation claim a right in international law or moral law to poison the atmosphere of the earth through test explosions by nuclear weapons? — is, therefore, a pertinent one. On the moral aspect of the question there can hardly be two opinions. But the point is, will it carry any weight with Britain, U.S.A., and U.S.S.R.? Even if the World Court were

to give an advisory opinion against the nuclear tests, where is the power to enforce it? The situation as it stands is to be regretted. International law is supposed to guard and protect the international community. But there is an atmosphere of uncertainty and insecurity all round. How international law can be readjusted and enforced is the supreme question. It is for the Asian jurists now to give a lead on the various issues left untouched by the Western Jurists in the matter of international law.

JORDAN IN TRAVAIL

THE EXPLOSIVE situation that has developed in Jordan is an episode in the protracted internal debate —to put it euphemistically—to decide whether she should align with the West. The first rumblings were heard when General Templer unsuccessfully tried to rope Jordan into the Baghdad Pact. During the crisis that followed Sir John Glubb was dismissed. The present development is the outcome of the refusal of Mr. Suleiman Nabulsi, recently the Prime Minister, to support the Eisenhower doctrine or to invite the American President's envoy to Amman, while at the same time taking steps to open diplomatic relations with the Soviet Union.

For the moment King Hussein has the upper hand, having dismissed Mr. Nabulsi and General Abu Nuwar, who was Chief of the Army Staff. But his final victory is far from assured. The new Government under Dr. Hussein Fakhri el Khalidi has every sign of being a temporary expedient. The inclusion of the outgoing Premier as Foreign Minister in the new Cabinet betrays perhaps that its existence will depend on the support of the National Socialist Party. This support may carry with it the obligation to continue the previous Government's policies. The fact that King Hussein has agreed to Mr. Nabulsi's inclusion in the Cabinet could mean that he has reconciled himself to them. Already, he has begun reiterating his belief in "Arab neutralism" and anti-Semitism. He cannot be unaware that aid from Egypt will only come if he toes the Egyptian line in foreign and domestic affairs. And aid from her Arab neighbours is essential for Jordan's continued independent existence, now that she has practically cut adrift from Britain's favours.

However, if Mr. Nabulsi's policy is discarded, and he resigns, it is doubtful if the new Government will be able to command a majority in Parliament. It would thereafter survive, if at all, as a minority Government supported by the King and the army. The future course of the crisis will thus depend to some extent on the attitude of the army, which is uncertain. The army's morale and discipline seem already to have been affected by the resignation of General Ali el Hayari and the reported dismissal and arbitrary transfer of some sixty officers following an unsuccessful coup. But the greatest threat to the King does not come so much from the army; it comes, rather, from the explosive population, made up largely of embittered Arab refugees from Israel, who number more than one-third of Jordan's population. Dr. Khalidi is their acknowledged leader and spokesman. But the wooing of their support will mean adopting a strong anti-West accent; popular opinion blames the West for their present situation.

An issue which may be said to play a part in the conflict is Jordan's relations with Egypt and Syria. There is a reckonable movement in favour of some form of federal union between the three countries. The idea was supported by Mr. Nabulsi and opposed by King Hussein. The King in this matter appears to be counting on Saudi Arabian support; the possible integration of these countries is by no means to the liking of King Ibn Saud. Israel, too, cannot remain indifferent to any development which might affect Jordan's status as an independent country. Should Jordan collapse politically, its neighbours would certainly move in: a vacuum invites power; when there are more than one power, only the strongest will fill it. And Jordan, none of the Arab countries can forget, was created artificially by the British. They cannot also forget, and this Jordan also will not, that it was the only Arab country to gain territorially when Israel was created. Since Arab-Israel relations cannot be insulated from the cold war, the crisis in Jordan has all the makings of a major catastrophe, with implications that reach beyond Jordan's borders. The prospect does not appear very bright.

The hope that King Hussein will yet be able to control the situation as did the Shah of Iran in a not very dissimilar situation is remote. The King of Jordan does not enjoy the same status in the country's social and political life. In addition, the people are not bound by a feeling of nationalism: they do not regard themselves as "Jordanians" but either "displaced Palestinians" or, worse, as "South Syrians". Uncertainty is, therefore, bound to continue. One can only hope that it will not erupt into something worse.

*

Reordering of Plan Priorities: It is learnt that finishing touches are now being given to the annual plan, which will be presented to the first session of the new Parliament. The main interest in the annual plan centres on how the second Five-Year Plan's priorities are proposed to be re-arranged in the light of the deteriorating food situation, difficulties of foreign exchange and other factors not foreseen when the Plan was approved by the last Parliament. The annual plan is expected to reveal to what extent the country is banking on the deferred payment scheme to meet the difficulties of foreign exchange. It is pointed out in this connection that as a result of the visit of British industrial leaders to this country, the Government have already been promised credits to the tune of about Rs. 30 crores.

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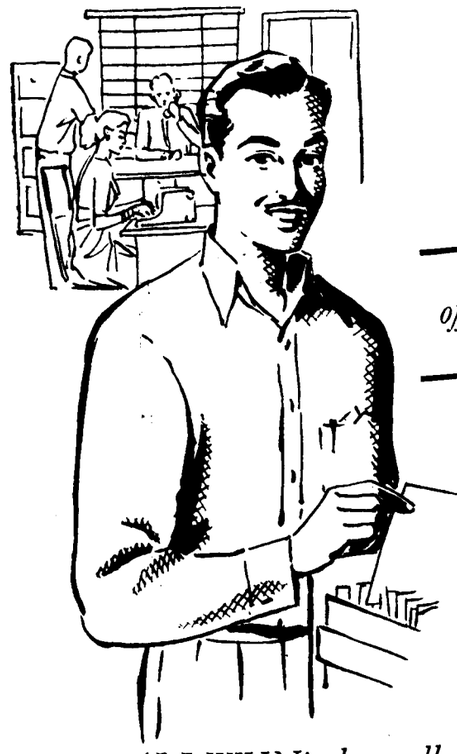
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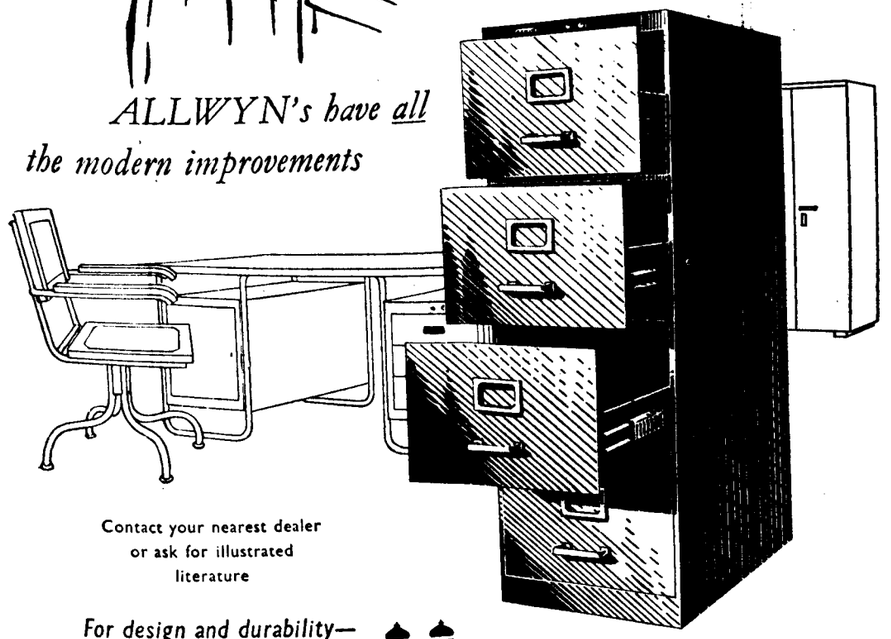
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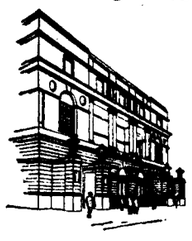
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PROBLEMS OF A FREE PRESS

By

ODYSSEUS

THE FUNDAMENTAL POINT that has emerged from our discussions on the quality of the newspapers that are likely to be aimed at India's masses as they become increasingly literate is that it must be recognised that only a tiny minority in any country wants to read serious news about politics, industry and public affairs. The masses in all countries are not, and are never likely to be, interested in such matters. They want to be entertained. Experience shows that what entertains them most is romantic or thrilling stories, or just plain gossip, about people in public life, ranging from Prime Ministers to film stars. It is a mistake to think that if you ensure that no papers catering for such tastes are allowed to exist, the masses will read serious papers. In fact, they won't read anything at all. They will go to the cinemas. And if a paternal bureaucracy ensures that there is no romance or excitement in films and that only informative, educational, or highbrow films can be seen, the cinemas will soon be empty.

Before Hitler seized power, the German press fulfilled the public demand for variety and entertainment and total circulation was substantial. After Hitler had suppressed all the independent papers and turned the remainder into government propaganda sheets, circulation slumped.

If a newspaper finds that it raises its circulation by curtailing its news columns and increasing the space given to strip cartoons, it is obviously satisfying an unsatisfied demand and I cannot see why it should be prevented from doing so. (You might just as well say that a confectioner's shop must only sell bread and refuse to offer cakes or chocolate). Providing always, that is, that the newspaper engages in honest romance and thrills and does not offend against decency or public order. Experience in other countries shows unfortunately that many newspapers fail to observe this proviso and exploit sex and crime in a socially indefensible way.

It is interesting to note that within a few years of each other, India and Britain have taken similar steps towards the solution of these difficult problems by setting up Press Councils. The Indian Council is a statutory body with the authority of the law and the state behind it. The British Council is a voluntary body seeking to raise standards by strengthening professional self-respect among journalists and newspaper proprietors.

The problems raised in this column were discussed at length in Part I of the Report of the Indian Press Commission of 1953. To all concerned about the future of an independent press in the free countries of the world, I commend this Report for the astonishing breadth and detail of its research and for its obvious honesty of purpose. The Report shows on every page its deep anxiety over the possibility of bias in newspapers. Its own bias is equally obvious: it is suspicious of private enterprise, individual ownership, sees in the profit motive the root of all evil, and in government control the springs of all good. All the more, therefore, to its credit is the way in which it keeps its bias within reasonable control and makes successful efforts to be fair to ideas, practices, and persons of which it disapproves.

HYPNOTISED BY A MYTH

I cannot resist a modest parade of my own bias by pointing out that the Press Commission is hypnotised by its conception of a serious newspaper as an unbiased, public service enterprise. It suffers from the illusion that you can, by thinking up enough rules and regulations, creating enough non-profit-making trusts, diffusing ownership, and limiting profits, free newspapers from all human weaknesses and ensure a production in which all aspects of the serious news are produced in perfect balance with all-wise editorial comment. The Commission was misled into these conclusions partly by the widespread diffusion in India of the myth, refuted by all experience, that private enterprise and individual ownership are inherently sinful, profits proof of depravity, Socialism the cure for all evils, and that once a government department has got control of any activity and inserted the word "Public" in its title, perfect impartiality and freedom from all bias automatically follow; partly, also, by noting that the proprietors of 'The Times' and the 'Observer' of London have, in the public interest, limited their sovereign controls over their papers by transfering their ownership to Trusts. The object of these Trusts is to prevent the sale of a paper like 'The Times' to a new Northcliff who might change its traditions and character.

But the Indian Commission is mistaken in thinking, because 'The Times' owners have surrendered the right to sell their paper without the approval of the trustees, that they have rid themselves of the obligation to make as big a profit as they can. The day that 'The Times' and the 'Manchester Guardian' cease to satisfy a public demand, they will cease publication, and the only test by which they can know if they are satisfying demand is whether they are making a profit or not. The Socialist can never see this point because he assumes that an institution of which he happens to approve (e.g. a particular serious newspaper) has a God-given right of eternal survival, irrespective of public demand for it, and if it fails to make a profit, he insists that the state must meet the loss. This process (known as getting away from the evils of the profit motive) can, however, continue only so long as other industrial or commercial enterprises in the state are making enough profits to meet the loss.

DEPARTMENTAL SECRET REVEALED

The Press Commission Report analyses the problems of the press with insight and authority and has many comments and recommendations to offer, but its weakness, I repeat, is its tendency to think that you can enforce moral conduct if only you can think up rules of procedure to meet all contingencies. If the Report's rules for conditions of work, employment, and dismissal, are really going to be enforced, journalists will be enmeshed in all the red tape that strangles civil servants, and newspaper offices instead of humming with activity, will move at the moribund pace of a government department. It will become impossible to promote a good reporter unless he is of the right seniority, and the only way to dismiss a bad one will be to secure his transfer to another department of the newspaper, or to another newspaper. I speak of this

from first-hand experience because when, years ago, I joined the Government of India for a spell and found that it was easier to be first up Mount Everest than to dismiss an incompetent, I evolved a highly successful technique of writing glowing chits which unloaded my incompetents onto other departments.

It is another of the weaknesses of this admirably solid Report that it is essentially concerned with the promotion of the interests of serious newspapers. These constitute a majority of the Indian press today only because literacy is 14 per cent, but as it rises it is in the nature of things that the serious press will eventually account for a minute percentage of total readership (although it may rise in absolute numbers, as it has in the UK).

There will always be a modest demand for serious papers of information and opinion. The real problem is how to ensure that mass circulation papers stick to the supply of innocent romance, and refrain from depraving the masses by indulging in pornography or dishonest sensationalism.

To a limited extent the problem can be met by sensible legislation against pornographic writings (particularly, as I said last week, if the Indian law is revised in accordance with a recent bill introduced in the UK which makes the author's intention the test of obscenity), and to a greater extent by making legal proceeding for libel easier and more effective.

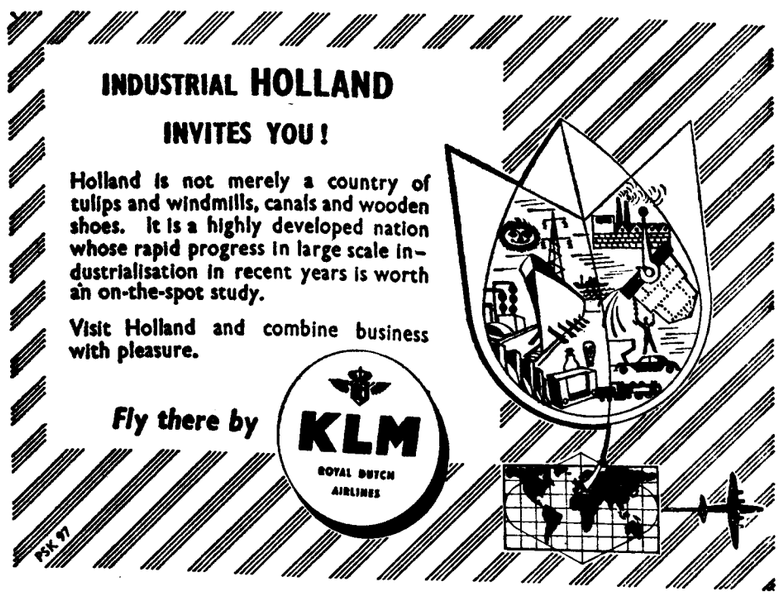
In this connection, I commend to your attention Randolph Churchill's first-rate book "What I Said About the Press", (Weidenfeld and Nicolson. London. 1957. 7sh. 6d.), which reveals Mr. Churchill as a fearless and victorious campaigner against the sex and sensationalism purveyed by the 'Daily Mirror', 'The People', 'News of the World', and other mass circulation irresponsibles. My adjectives are mild compared with those employed by Mr. Churchill, who has just won £5,000 in a libel action (against 'The People') in which he stood up in the witness box and delivered himself of a spate of witty home truths about Lord Rothermere and other British newspaper proprietors.

Since I am not one of these do-gooder, Welfare state perfectionists, but am content to take our poor struggling human nature as I find it, a mixture of splendid ideals and sordid failures, I do not believe that you can hope ever to eliminate all bias, distortion, and symptomatic vulgarity from the press, for the same reason that you can never be wholly rid of murder, dacoity, fraud, theft, or adultery, at any rate in the present ratio of incarnations.

Which does not mean that you should not work to raise standards. This is a twofold task—that of raising standards of public education, so that more people come to see how boring sex is compared with a verbatim report of Mr. Krishna Menon's 7½-hour UNO speech, and of raising standards of professional ethics among journalists and proprietors.

Morality only exists where the individual is free to choose between good and evil. Prohibition, whether of alcholic drinks or of "yellow" newspapers, solves no problems. On the contrary, by treating human beings as irresponsible children, it prevents them from growing up. It creates an unhealthy atmosphere which promotes interest in the very practices that it seeks to prohibit. That is why people drink more in prohibition than in free states and why pornographic books are two a naye paise wherever censorship exists.

If the Indian and British Press Councils bear in mind that there is no quick and easy way of ensuring that mass circulation papers avoid all harmful matter, and if they concentrate on education and persuasion rather than on regulations and compulsions, we shall inch our way steadily towards the Millennium.



THE SAHARA WAITS

(From Our Special West European Correspondent)

PARIS, April 20.

THE wave of indignation that swept France after the revelations of army brutality in Algeria has borne fruit in that the Government, while protesting its perfect confidence in the unsullied honour of the army, has decided to constitute "a committee for the safeguard of human rights" in the war-torn North African departments. The committee is non-official and its composition is judged satisfactory by the liberals, considering that it had necessarily to be chosen from among men not so far involved in the public controversy about brutality in Algeria—a circumstance that excluded most respected notables, for these had lost no time in condemning publicly alleged departures from normal procedure. Nevertheless, the committee begins work in a curious atmosphere, for it has been charged not simply with reporting actual cases of illegal proceedings but also with pursuing the authors of baseless allegations of such proceedings. This means in practice that any complainant making charges before the committee faces the prospect of finding himself in trouble if his charges cannot be proven. This is expected to limit the supply of witnesses. The technique will no doubt be admiringly noted by governments everywhere; as usual, the patent for this method of intimidation belongs to those arch-inventors of machiavellian shifts—socialist democrats in power.

The Mollet government could scarcely ignore the outburst of indignation about brutality in Algeria when, in addition to the socialist and Mendes-France press, there were added the voices of a French army general, the conclave of French cardinals and the Pope himself. These latter parties could hardly be dismissed with the customary observations about a Communist demoralisation campaign. The Pope's message was addressed "to all the police forces in the world", but there was no mistake made in Paris about the relevance of his views to conditions in Algeria. Mention of the uncompromising stand taken by the leaders of all the religious communities of France on this issue makes it permissible to recall that we are still waiting for the religious leaders of the North African Islamic community to reprove the ghastly terrorist methods of the Algerian rebels which have led to the present degeneration of the struggle into a long communal riot. Reports of French troops encouraging suspected terrorists to talk by means of electric shocks need to be set against the fact that after a recent terrorist bomb explosion at a football match eight legs had to be amputated, including the legs of two girls aged three and five.

So the "dirty war" in Algeria drags on. Official communiques list an uninterrupted series of French victories, which are no doubt true for the French are militarily in control of the situation. This is not surprising for 400,000 French troops are fighting an estimated 30,000 rebels. But the rebellion continues withal. According to the official French figures, the rebels have been losing 2,000 to 3,000 men a month, but nevertheless they seem to have no recruitment problem. Rather, they have an armament problem. The French capture 2,000 weapons a month, but then 3,000 modern weapons are smuggled across the Tunisian border each month. Tunisian and Moroccan aid is a major factor in the continuance of the struggle, because as well as supplying smuggled arms these territories provide training camps for the rebel movement and in general a "privileged sanctuary". The French have succeeded in sealing 70 miles of the Moroccan frontier but the Tunisian border remains largely open, and while the French Finance Minister is demanding the repatriation of 100,000 soldiers for excellent economic reasons the generals are demanding an extra contingent to seal these borders for excellent military reasons.

More important than these military successes which never seem to mean anything, the French can claim several substantial gains in the struggle against the rebellion. Urban terrorism in Algiers itself has sharply declined and the rebels' demand (backed by terror) that Muslim parents keep their children away from the State schools is now being generally defied: school attendance has risen in a month from 70 only to 33,000. But the decline in terrorism in Algiers has been accomplished only with the aid of 10,000 parachutists (the parachutists are now the French corps d'elite), not to mention the aid of precisely the brutal methods that are now the subject of outcry in metropolitan France. The failure of the school strike remains a major victory although it has economic reasons: the French pay lavish child allowances to the North Africans as to metropolitan Frenchmen (not only lavish but absurd for a people whose population increase is phenomenal) but only if the children are sent to school. The school strike was limiting family incomes intolerably and the rebel leaders, whose whole supposed "national movement" rests on terror and intimidation, had to agree to its suspension.

These French victories bring no nearer a conclusion to the struggle, and indeed the prospects for peace in Algeria are bleaker now than before the United Nations debate. I meet many French people who believe that the struggle must be continued indefinitely; one even meets a fair number who believe that it should be continued with the use of every possible means; including the illegal and inhuman methods that have been adopted in order to meet terrorism on its own ground. But one meets absolutely none who believes that an end is in sight. Not even the toughest dieheards think that the rebellion is going to cave in; the best they seem to hope for is that a condition of superficial quietude can be attained, and thereafter maintained by prolonging the military siege of the territory indefinitely. This happens to be economically impossible, even supposing it were militarily feasible. But if the French have no idea of how the Algerian war can be brought to an end, no more have the Algerian rebels. None of them can seriously believe that, if terrorism continues, one day the French will pack up and go away, or accord Algeria "national independence". This is one of those peculiarly idiotic wars where neither side has any idea of what it is fighting for, because the two proclaimed objectives of pacification and independence are equally unattainable.

It is a commonplace of liberal opinion here that there is no solution of a military kind possible in Algeria, but that an egress from the present hopeless situation has to be sought in the political and social field. But just how far the French settled in Algeria are from considering such a solution was brought home to me this week in reading the French Governor-General's directive to troops and civilians in which, among other things, he requested "all Europeans in this country to cease using 'tu' systematically in speaking to Muslims"—in Indian terms, to stop calling all Muslims 'tum' and to use an occasional 'aap'. That it is only in the year 1957 and after two years of civil war that

the French in Algeria discover that it is wounding to a community's dignity to be addressed systematically with the familiar pronoun is no promising augury for plans for "a new social deal" for Muslims in Algeria.

While the terrorists and the parachutists continue to fight it out in Algeria, a constant casualty of the struggle is the native Algerian bourgeoisie, the very class that might be looked to to provide some hope of political leadership in the country's doubtful future. The terrorists assassinate any bourgeois suspected of sympathising with the French, and the latter intern any suspected of pro-nationalist feeling. The result is that the class most politically competent and most likely to take up a political position short of extremism is being decimated. For instance, of 30 Algerian barristers in Algiers, none today remains in practice in the city; 15 are interned and the rest have left the town or just withdrawn from active life. Notably, of the bourgeois leaders only one, Ferhat Abbas, has chosen "the road to Cairo" and joined the rebels; most of the rest have migrated to France itself. Whether or not this indicates the direction of their sympathies, the fact remains that the leadership of the rebel movement necessarily falls exclusively to the extremists. When at last the French can, and consent to, negotiate in Algeria, they will discover that they have prepared themselves a most intractable bunch of adversaries.

And while the war drags on in Algeria, the world and the Sahara Desert wait. World opinion, which was brought so narrowly to extend French credit at the last UN debate, waits the next session of that body where a different sentiment may well prevail if the situation does not improve during this summer. And behind Algeria waits the Sahara, concealing beneath its sands the resources that can assure the future not only of both the Algerian communities but possibly of all North Africa and Europe, resources that cannot begin to be tapped until the war stops in the gateway to the heart of Africa.

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WORLDGRAM

AGRICULTURE

Punjab Consolidation Proceedings Validation Bill: The President has given his assent to the Punjab Consolidation of Land Proceedings (Validation) Bill, 1957. The Bill seeks to replace an ordinance which validated certain consolidation proceedings, in respect of land allotted to displaced persons in the Punjab, declared null and void by the Punjab High Court.

*

Bombay Tenancy Law Amending Bill: The President has given the assent to the Bombay Tenancy and Agricultural Lands (Amendment) Bill, 1957. The Bill, replaces an ordinance promulgated by the Government of Bombay this year to remove doubts regarding interpretation of certain sections of the Bombay Tenancy and Agricultural Lands (Amendment) Act, 1955.

*

Cultivation of Extra-Long-Staple Cotton: About 1,260 lbs. of seed of the "Andrews" variety of Sea-Island Cotton—the world's finest cotton, having as high staple length as 1.3/4" to 2" and capable of spinning 150s. counts—were grown in Malabar in 1956-57, under a scheme for growing this cotton, at present almost wholly imported from foreign countries. In 1954-55, India imported 3.8 lakh bales of cotton of staple length 1.1/16" to 1.1/8" and 2.3 lakh bales of cotton of staple length 1.3/16" and above at a total cost of over Rs. 53 crores. The object of the present scheme, estimated to cost Rs. 6 lakhs, is to spread this variety of cotton in India, and by 1960-61 produce 2.25 lakh bales, valued at over Rs. 30 crores, thereby reducing the import of long-staple cotton by a similar quantity. The seed grown in 1956-57 is considered adequate for covering an area of about 126 acres. In 1958-59, the area under "Andrews" cotton will be extended to 5,000 acres, in 1959-60 to 2½ lakh acres, and in 1960-61 to 3 lakh acres. A supervisory committee has also been constituted to review the progress of this scheme from month to month.

*

Utilization of Farm and Food Wastes: A Committee to draw up a plan of research with priorities for utilization of waste food products and farm wastes, has been constituted by the Council of Scientific and Industrial Research. The committee will make a survey of agricultural and food wastes and suggest ways and means for their utilization. It will examine how far the facilities available at the existing research institutes in the country can be effectively made use of and whether there was a necessity for setting up a new technological institute for this purpose.

INDUSTRY

Brass Ingots and Brass Gravity Dye Castings: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for brass ingots and brass gravity die castings (including naval brass). The draft standard covers the requirements for two grades of brass used in the manufacture of bearings, gears, pump parts, parts for electrical industry, steam valves and general engineering fittings. Brass gravity die castings possess high strength, toughness and resistance to corrosion and wear, and find application where accuracy, intricacy, stability, economy and a clean surface, inherent with die castings, is desired. Comments on this draft may be sent before June 30, 1957 to the Indian Standards Institution, 19 University Road, Delhi-8.

*

Petroleum Fuels and Solvents: The Indian Standards Institution has issued, for eliciting comments, five draft Indian standard methods of test for petroleum fuels and solvents. They are for the determination of total ash and water soluble ash, carbon residue (Ramsbottom method), freezing point, hard asphalt content and kauri butanol value of hydrocarbon solvents. These draft test methods would form part of a series of Indian standards now under formulation on this subject. As the methods of the test devised by the American Society for Testing Materials and the Institute of Petroleum (UK) are widely used in the industry and in the laboratories, and are being considered by the International Organisation for standardization in formulating draft international recommendations, the committee decided to base these draft standards mainly on the standards issued by these two organizations, although certain additional details have been included.

*

Draft Revision of Specification for Copper: The Indian Standards Institution has circulated, for eliciting comments, a draft revision of specification for Copper (IS: 191-1950). This standard specifies the requirements for four grades of cast copper, viz. electrolytic high conductivity copper, cathode copper, fire-refined high conductivity copper and fire-refined ordinary copper. This standard was first issued in 1950. The main modifications made in this revision relate to inclusion of clauses on chemical analysis; resistivity test in case of copper used for electrical purposes; and sizes of wire bars, billets, cakes, slabs, ingots and ingots bars—the shapes in which copper is normally supplied. Comments on this draft standard may be sent before June 20, 1957 to the Indian Standards Institution, 19, University Road, Delhi-8.

*

Steel Economy Through Standards: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard code of practice for the use of steel tubes in general building construction. This standard is one of a series of Indian standards being published under the Steel Economy Programme. In preparing this draft standards, the manufacturing and trade practices, followed in the country, have been taken into consideration. Comments on this draft Indian standard may be sent before June 11, 1957 to the Indian Standards Institution, 19, University Road, Delhi-8.

*

Electrically Welded Mild Steel Boiler: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for electrically welded mild steel boiler and superheater tubes (for design steam temperatures not exceeding 455°C). The introduction of electrically welded steel boiler and superheater tubes into boiler practice in India has made necessary the preparation of this draft Indian standards. The draft has been divided in two parts. Part I covers clauses on general requirements while part II includes specific requirements with regard to manufacture, chemical composition, workmanship, testing etc.

TRADE

Trade Handled at Vaisakhapatnam Port: The Vaisakhapatnam Port handled 55,432 tons of traffic

during the fortnight ended March 15, 1957. Mineral ore exports during the period amounted to 26,409 tons. Imports totalled 21,544 tons, including 4,910 tons of food grains and 1,532 tons of Bhilai Steel Project material. Twenty-three steamers entered the Port during the period.

*

Export Promotion Committee to Visit Commercial Centres: The Export Promotion Committee, appointed by the Government of India to recommend measures to stimulate India's exports, will leave on a three-week tour of the country shortly. During its tour, the Committee will meet commercial and industrial associations and discuss with them matters relating to the promotion of exports. The Committee, which was appointed in February this year, has been asked to report on the nature of fiscal and other concessions to be granted for promoting exports, the nature and extent of credit facilities required for export trade and the lines on which the export promotion bodies should function. The Committee has also been asked to recommend measures for transport facilities and simplification of commercial transactions.

FINANCE

New Rate of Interest on Coal Mines Provident Fund Accumulations: The Government of India have decided in consultation with the Board of Trustees of the Coal Mines Provident Fund to grant interest to the subscribers of the Fund on their accumulations at the rate of 3¾ per cent during the year 1957-58. The rate of interest for the year 1956-57 was 3½ per cent. The Act which came into effect in 1948 covers 3.17 lakh workers in 753 coal mines. Accumulations in the Fund up to January, 1957 exceeded Rs. 8 crores.

*

Compulsory Deposit by Companies: The Central Government has fixed the percentage for computing the deposit to be made by a company with reference to the amount by which the statutory surplus exceeds Rs. 1 lakh. These deposits relate to the assessment to income-tax of any Company for the year commencing on the first day of April, 1957. No deposits will be required to be made in the following cases:

(a) A Company in which not less than forty per cent of the share capital is held by the Central Government or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments;
(b) A Company incorporated under any special Act of Parliament;
(c) A banking Company as defined in the Banking Companies Act, 1949 (10 of 1949);
(d) A Company, being an insurer as defined in the Insurance Act, 1938 (4 of 1938); and
(e) A Company engaged in the generation or supply of electricity.

In the case of all other companies, the figure fixed for computing the deposit to be made is 50 per cent. A notification to this effect has been published in a Gazette Extraordinary dated April 16, 1957.

*

Bombay Sales Tax Laws Amending Bill: The President has given his assent to the Bombay Sales Tax Laws (Amendment) Bill, 1957. The object of the present Bill is to amend the various sales tax acts in force in Bombay so as to make them conform to the restrictions laid down in Articles 269 and 286 of the Constitution and bring them in line with the Central Sales Tax Act, 1956. Certain other amendments to the Acts necessitated by the imposition of inter-State sales tax have also been made and the opportunity has been taken to express the taxation rates in terms of decimal coinage.

*

Funds for Housing Accommodation for D.Ps.: An allotment of Rs. 12.56 lakhs was placed at the disposal of various State Governments by the Central Rehabilitation Ministry during March for construction of cheap tenements for displaced squatters. The Ministry has made a provision of Rs. 5.78 crores for construction of houses for displaced persons from West Pakistan during the second Plan period. Funds have also been provided for the completion of housing schemes carried over from 1955-56 and for the development of refugee colonies and townships to the standards prevailing in the neighbouring areas. During 1954-55, a sum of Rs. 60,00,000 was advanced in the shape of house building loans to displaced persons against their verified claims. A further sum of Rs. 77,70,000 was advanced during 1955-56. Displaced persons living in 'Dharamshalas', temples etc. were allotted cheap tenements.

GENERAL

Saurashtra Barkhali Abolition Amending Bill: The President has given his assent to the Saurashtra Barkhali Abolition (Amendment) Bill, 1957. The Bill seeks to clarify certain provisions of the Saurashtra Barkhali Abolition Act, 1951, which provides for the levy at concessional rates of assessment of Gharkhed lands and lands allotted to Barkhalidars for personal cultivation. Under the 1951 Act the intention was that this concession should be granted only in respect of lands allotted under certain sections of the Act for which applications were to be made within a prescribed period. The Bill seeks to make this intention quite clear.

*

India's Largest Rail Yard Creates a Record: India's largest railway marshalling yard at Moghalsarai, near Banaras, last month set up a record of operating performance which has never before been achieved in its long history. Daily during March, an average of 2,082 wagons were despatched to a multitude of destinations on the Northern, Central and Western Railway, marking a 17 per cent increase over the performance in March last year, and a 24 per cent increase over March 1955. In the opposite direction, to the Eastern Railway an average of 2,101 wagons left Moghalsarai daily during March, an increase of nearly 20 per cent over the daily average for March last year. During the last 11 days of March, an average of one wagon left Moghalsarai every 20 seconds. This process continued all round the clock.

*

Membership of Employees' Provident Fund: The Government of India have decided to raise the limit of eligibility to the membership of the Employees' Provident Funds to Rs. 500 per mensem inclusive of dearness allowance and cash value of food concessions. The decision will take effect from May 31, 1957. Under the existing provisions of the Employees' Provident Funds Scheme, 1952, an employee drawing more than Rs. 300 per month as basic wage is ineligible to become a member of the Fund, although such employees, who became members on getting a lower wage, continue as members even when the basic wage exceeds the limit of Rs. 300 per mensem. The Employees' Provident Funds Act, 1952, which applied only to factory industries, was amended by Parliament in December, 1956 to empower Government to extend it to non-factory establishments. The Act has since been extended to cover plantations' employees. The schemes cover over 20 lakh workers employed in 4500 factories in India.

NEWS IN BRIEF

INDIAN

Draft rules issued by the Central Government regarding the deposits required to be made out of current profits by companies have been published for general information in a Gazette Extraordinary issued on April 15.

*

The Union Government has suggested to the authorities in U.P. to pay a special monthly allowance of Rs. 5 to all their low-paid employees as well as to those engaged by local bodies.

*

It is reported that either a departmental committee or the Tariff Commission will shortly undertake a comprehensive enquiry into the cost structure of coal production.

*

The Government of India has decided to continue the scheme of granting rebate of excise duty at the rate of six pies per square yard on all cloth produced by a textile mill and cleared for home consumption, in excess of its average monthly packed production of cloth during the eight months January to August, 1956.

*

It is reported that the Government of India is ready to allow the import into India of larger quantities of Sudanese cotton.

*

The Working Committee of the National Federation of Indian Railwaymen, has demanded the immediate setting up of a Pay Commission to revise and raise pay scales of railwaymen and eradicate all the existing anomalies.

*

A work and orientation centre has been set up in Delhi under a pilot scheme to help the educated unemployed enter into avenues of employment other than white collar jobs.

*

The Government of India has decided to allow freely for export apparel made of mineral khaki cloth till the end of June, 1957.

*

Imports of capital good during the last quarter of 1956 recorded a substantial rise of Rs. 474,000,000 over a year, according to the Reserve Bank of India.

*

The Central Cotton Advisory Board has recommended to the Government of India that in order to meet a shortage of cotton in the country they should permit the import of 1,75,000 bales of cotton of various saplings from both sterling and dollar areas.

*

The Government of India has decided to release 2,000 tons of linseed oil-cake for export outside India during the period April-June, 1957.

*

Production of Jute goods during March, 1957 rose to 84,700 tons from 80,200 tons in the previous month, according to the Indian Jute Mills Association.

*

It is reported fifteen scheduled banks have been invited to participate in the proposed refinance corporation which will shortly come into being.

FOREIGN

The World Bank announced recently that during the three months January 1 to March 31, 1957, it made three loans totalling 8,56,00,000 dollars to India, Iran and Peru.

*

South Africa's gold and foreign assets in the week ended April 5, totalled £131,880,000 compared with £135,550,000 a week earlier.

*

Oil consumption on Sweden rose, by 19 per cent to 10 million cubic metres in 1956. This compares with a rate of increase of 24 per cent in 1955 and 22 per cent in 1954.

*

Dutch unemployment at the end of March totalled 44,000 against 55,000 at the end of February and 50,000 a year ago.

*

It is reported of the two forthcoming South African Government loans, one will bear 4¾ per cent interest and mature on April 15, 1977, and the other 4 per cent and mature on April 15, 1962.

*

Japan had a balance of payments surplus of $38 million in the financial year ended March 31, compared with a surplus of $535 million in the previous year.

*

Air France carried 2-1/3 million passengers in 1956, 27 per cent more than 1955. Ton-mileage increased by 22 per cent to 225 ton-miles.

*

A New York firm W. R. Grab & Co., has decided to erect a £4 million chemical fertiliser plant in Trinidad,, provided it can make satisfactory tax arrangements with the Government. The proposed plant would use natural gas from Trinidad oil fields to produce ammonia and ammonium sulphate.

*

Philippine gold production for 1956 was 406,163 ounces — 12,949 ounces less than the 1955 output of 419,112 ounces. The 1956 production earned 44,580,451 pisos as compared with 43,860,071 pisos in 1955.

*

A Frs. 23 million company to study investment possibilities for economic development in Algeria has been set up in Algeirs on the initiative of a number of banks.

*

The Iraqi Government received £5,810,281 in oil revenues for the first quarter of 1957. The Iraq Petroleum Company exported through a Mediterranean sea port 529,237 tons of oil from the Kirkuk field and 25,596 from the Mosul field in the period March 12 to March 31.

*

The Anglo-Dutch trade balance in the first two months of the year showed a marked change compared with the corresponding period of 1956.

*

It is reported Persia and the Soviet Union have signed a barter trade agreement for three years.



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A LEADING BANK IN SOUTH INDIA

P.C. 9752.



Economic Report from the U. S.

THE FEDERAL BUDGET

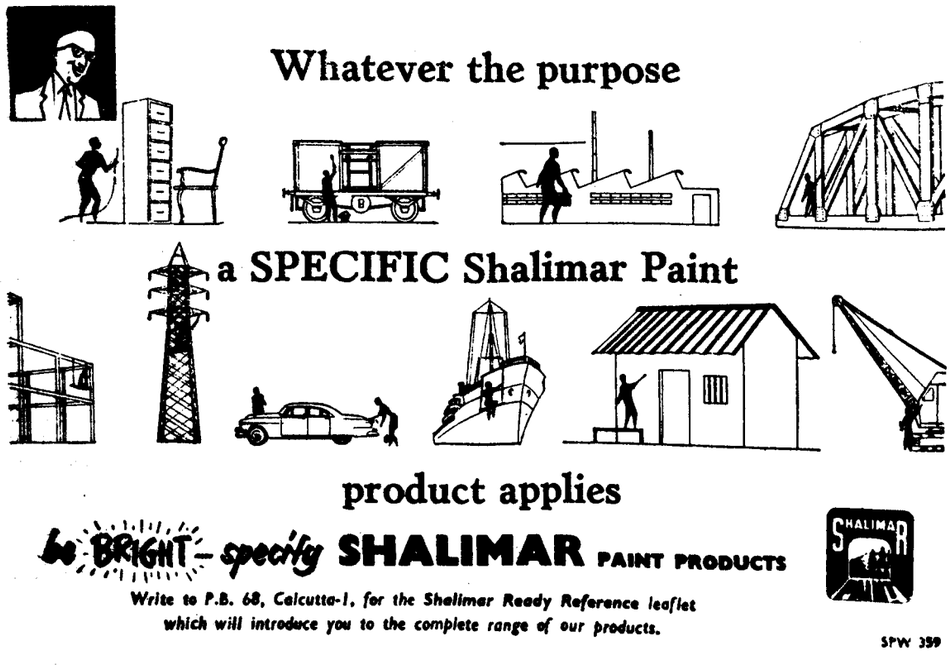
(By GUY SIMS FITCH)

WASHINGTON, April 23.—It has been said of the US governmental system that the President proposes and Congress disposes. Like all generalisations this one, too, has its exceptions—but not in the matter of the Federal Budget. In the final analysis it is the legislative branch of the Congress that holds the Government's purse strings. Two months ago, President Eisenhower proposed to Congress a budget involving outlays of $71,800 million for the 1958 fiscal year beginning next July 1. Since then, Congress has been going about the task of examining these budget proposals, and appropriating the money to carry out Federal functions. Its general tendency so far has been to prune President's request for funds. Much of this emphasis on budget cutting can be traced to the belief that the 1958 budget is "too big." It is, in fact, the largest peacetime, exceeded only by three years of World War II and one year of Korean fighting. But does this mean that the proposed budget is beyond the financial strength of the US? Virtually all economists, whether defenders or critics of the budget, would answer in the negative. For one thing, the budget has been in balance for several years, and expected to be in balance again next year. With the economy expanding and incomes rising, government receipts from taxes of all types for fiscal 1958 are estimated at $73,600 million, indicating a surplus of $1,800 million.

Many experts also point out that the proposed budget places no greater strain on the economy than have budgets of previous years. In 1946, for instance, budget outlays equalled 23 per cent of the total national income. In 1956, they were about twenty per cent. If national income estimates prove accurate, they would again be about 20 per cent in the coming year. Indeed, per capita, they would amount to less than in many other years, when Federal spending was considerably lower. It would appear then that the US economy surely could afford a budget of the proposed size. But the question does not end there. More than a few experts believe that continued large budgets, whether or not in balance, could intensify inflationary pressures. Moreover, they say, such budgets require the kind of huge tax "take" that eats up private savings needed to finance industrial growth. And the very existence of high tax rates is seen by some as tending to diminish business incentive.

These arguments have not been disregarded. The President himself has suggested last week to Congress ways in which his 1958 budget could be trimmed by some $1,300 million. But the legislators apparently are looking for deeper cuts than that. Obviously, neither the Administration nor Congress wants to cripple essential government functions. Some spending, moreover, is virtually untouchable—including expenditures resulting from previous legislation on such fixed charges as interest on the public debt. This means that Congress must look primarily to trimming what it considers the "frills"—elements within otherwise desirable programmes that it feels are not absolutely necessary. This is a difficult task at best. And it has not been made simpler by the widespread desire to reduce the tax burden imposed by a large budget. Thus, it is almost certain that the final appropriations will not match the President's budget proposals. But it is safe to say, if past experience is any criterion, that they still will make adequate and effective provision for the nation's national security, its international responsibilities, and its public welfare.







The Business World

THE OPTIMISM OF AN ELDER STATESMAN

By

CROESUS

FOR robust optimism there is hardly any one amongst our leading business men today who can rival Mr. G. D. Birla. And this optimism has its roots in realism as well, which characteristic, again, is something that distinguishes him from most others. It is not surprising, therefore, that, when Mr. B. M. Chinai, President, Federation of the Indian Chambers of Commerce and Industry (who held a reception in his honour on the conferment, by the Government of India, of the title of "Padma Vibushan" on Mr. Birla) requested Mr. Birla to give guidance to the business community, by virtue of his rich and varied experience over the past so many years, he exhorted them not to lose heart, not to be down-hearted, but to go ahead and work for the progress and prosperity of the country, unmindful of occasional irritations, sometimes real, sometimes imaginary. In a rather casual way, Mr. Birla dismissed what he called the one common shortcoming of business men as being something like the constant complaint of the husband by an Indian wife, who, despite all her complaints, would never drop him. In other words, what he sought to convey to the powers-that-be was that however much business men might complain against the Government, it was far from their intention to discredit the Government or even to embarrass it, and much less to remove it from office. Old habits die hard, he said, and reminded his hearers that Indian business men had perhaps not yet shaken off completely their attitude towards, and their manner of approach of, an alien Government, and that some relic of the ruler-and-the-ruled psychology still continued to cling behind. It is a reflex action of this pre-Independence psychology legacy that erupts in the form of unduly severe criticism of the Government at times, he seemed to suggest.

After doing this in a subtle and ingenious manner, Mr. Birla proceeded to warn business men not to get themselves lost inextricably in what has come to be called the-private-sector-versus-the-public-sector controversy. There seems to be a growing feeling lately that this public and private sector controversy has gone rather too far and that, unless something is done to arrest it and take stock of the position, catastrophic consequences to the country may follow. This doubtless explains why both Government spokesmen right from the prime Minister downwards and leading business men like Mr. Birla have deemed it necessary to appeal to the public to cry a halt to this unending and, at times, even unseemly controversy. Addressing the All-India Manufacturers' Organisation in New Delhi, the other day, it will be recalled, Mr. Nehru said: "The public sector must inevitably expand, but I do not want people to think as if the public sector and the private sector are mutually contradictory or come in the way of each other, pulling each other back". The same sentiment was echoed by Mr. Birla when he declared: "It was a bad day when these words 'Private Sector' and 'Public Sector' were coined. I do not know why we started talking of public and private sectors. To me there is no such thing as public and private sector. It is a national sector in which we are called upon to play our part". Mr. K. M. Munshi, Governor of Uttar Pradesh, who presided over the function, also expressed similar views and said: "There should be no conflict between the public and the private sectors. The more progress the country makes through the public sector, the greater will the private sector gain. The other way about, the more strength the private sector gains, the greater will be the strength of this country".

In short, all are thus agreed that the two sectors ought not to be, and are not, in fact, mutually contradictory but must be mutually complementary; that is, it is a game in which both the parties stand to gain or lose, but if both have to gain, both must play the game. But he would be a bold man, indeed, who could say that this happens always. More often than not, it does not happen. What is the cause of this? As Mr. Birla rightly diagnosed it, it is the absence of contact between the business men, who are mostly in Bombay or Calcutta, and our rulers who are safely ensconced in New Delhi. There is, therefore, need for closer contact between the two and also for either to 'talk to' and not 'talk at' the other, as Mr. Munshi observed.

In exhorting business men not to be down-hearted, Mr. Birla, again in his characteristic way, said he simply could not think of business men keeping idle. "They have got enterprise. They work. They like to create not for the purpose of making money. It (working) is a second habit with them. They cannot live without work and, therefore, they will continue to create". Pausing at this point perhaps deliberately and feeling himself quite reassured that this had gone home, Mr. Birla pointedly drew the attention of business men to the difficult times through which the country has been passing, what with an ambitious plan to raise the living standards of millions of people, difficulties such as those of foreign exchange in financing it, the Kashmir issue and the Kerala experiment, and appealed to them not to do anything to weaken the Government. Very meaningfully, he added: "In a democracy, you cannot have everything your own way. The virtue of democracy is that you can do neither too much good nor too much bad. Therefore, watch the progress of democracy in this country and everything will be all right". This is a sage counsel to business men, but, if I may say so, Mr. Birla should, at the same time, also tell the Government not to misunderstand the attempts, at times, of those who come out in the open to criticise the Government, even if it be in the strongest language—although, I concede, this is not at all necessary — when they genuinely feel that a certain policy or action of the Government threatens to cut at the very roots of democracy. He is in a position to do this, both by reason of his eminence as a business man and by the degree of confidence he enjoys with the highest authorities of the realm.

PLASTIC INDUSTRY'S SPECTACULAR PROGRESS

IN very few fields of industrial activity has there been such tangible evidence of progress as in the case of the plastics industry. Maybe, the increasing importance given to large-scale production of consumer goods is responsible for making it possible even for the layman to 'feel' the spectacular progress that the plastics industry has made in the last decade. The industry has taken such sustained and confident strides that it enjoys

the unique distinction of being the only industry wherein a ten-fold increase of production during the second Plan has been confidently predicted.

Inaugurating the tenth All-Indiaa Plastics Manufacturers' Conference in Bombay, Mr. Morarji Desai, Union Minister for Commerce and Industry, envisaged a great future for the plastic industry and profferred all governmental aid and assistance towards helping the industry in extending its activity to numerous fields of production. Admitting the need for modernising the machinery and equipment employed in the industry, Mr. Desai declared that the progress of the industry depended, to a great extent, on the close co-operation between the producers of raw materials for the industry and processors, who should utilise indigenous raw materials and maintain the prices of the finished products.

According to the President of All India Plastics Manufacturers' Association, with the exception of p.f. moulding powder, which is manufactured in the country, the rest of the raw materials are imported. While no official figures are available as to the exact progress in the production within the country of these raw materials during the past nine months it is comforting to see that some new plants for the production of raw materials are in the process of being installed in the country. Thus, under the auspices of Messrs. Polychem Ltd. in collaboration with Messrs. Dow Chemicals Co., U.S.A., a plant is being installed in Goregaon, a suburb of Bombay, for the manufacture of Polystyrene. While the capacity of the plant, due to go into production shortly, is six million lbs. per annum, the estimated current demand of this raw material is 2,500 tons (5.6 million lbs.) while the anticipated requirements are of the order of 3,500 tons (7.8 million lbs.).

The production of Polythene within the country is expected to be made possible by the Imperial Chemical Industries (India) Private Ltd., who are expected to instal a plant in Calcutta involving a total investment of about Rs. 3 crores. Another plant, to be established in Bombay again, will take care of the production of Polyethylene. Messrs. National Carbon Company (India) Ltd. are expected to undertake this venture. The total capacity of these two plants will be 5,100 tons per annum. Besides these, plans are also under way for the manufacture of Urea Formaldehyde moulding powder in India in collaboration with a British firm. There are also other projects contemplated for the manufacture of Cellulose Acetate moulding powder and P.V.C. compositions and P.V.C. resins. All these projects are expected to materialise in the second Plan period.

The current import policy, dictated as it is by the strain on our balance of payments position, is characterised by restriction of imports of even industrial raw materials. The plastics industry has also had to suffer some limitations on this score. Thus, in the case of the import of Polystyrene moulding powder, the quota to established importers has been reduced to 15 per cent while actual users' licences are not granted. The industry is rather agitated over this and has been pressing the Government for necessary redress. The situation, however, is bound to improve when the new plants mentioned above actually go into active production. Even otherwise, as has already been stated, earnest efforts should be made for the industry to become more and more independent of imported raw material.

With the increasing emphasis on rapid industrialisation in the second and successive Plans, the plastics industry may well nigh become one of the major industries in the country. To what extent the industry can be depended upon to contribute to the expansion schemes of the Government, particularly in the fields of rural water supply, community projects, agriculture and farming and also domestic water supply in new or growing townships, is evidenced by the fact that it can supply plastic pipes to meet the shortage of metal pipes. The use of this plastic pipe, which has been in vogue in the U.S.A., has now provoked other countries to explore the possibilities of incorporating this method of transporting water. Plastic pipes are now available in India and it is significant to note that very shortly two new plants—one with British and the other with American technical assistance — will be set up for the manufacture of basic polyethylene which will make the plastic pipe industry almost completely self-sufficient. It is gratifying to note that the Central Government is taking active interest as also the States of Bombay, Rajasthan, Orissa and Madras, in considering the possibilities of the plastic pipe. The completion of the second Five-Year Plan will, it is to be hoped, enable the industry to display its achievement in a better perspective.



BUSINESS NOTES

A REALISTIC REVIEW

FROM TIME to time the Chairman's reports of the United Commercial Bank have been noted for providing lucid analyses of the Indian economy as well as useful suggestions. Mr. G. D. Birla's latest speech, however, is of more than normal importance inasmuch as it has come at a time when the country has entered in the second year of the second Plan under conditions not entirely encouraging for the implementation of the Plan, either in the private or the public sector. It is known that in the first Plan the private sector gave a remarkably good account of itself and contributed substantially towards increasing the industrial production of the country by mobilising resources for an investment outlay of the order of Rs. 340 crores as against a considerably smaller figure of Rs. 148 crores in the public sector, in large and medium industries. While it may be admitted that there exists wide scope for private enterprise in the second Plan, and that, in financial terms, the private sector is supposed to play an equally important role in industrial development as the public sector, it cannot be stated with certainty that it would be enabled to achieve the same success as in the first Plan.

The reasons for this are not of the private sector's own making. The largest single difficulty being faced by almost all organisations is the disturbance caused by the acute monetary stringency that has been present over the last six months or more. Both short and long term factors have combined to produce the prevailing tightness, among the more important being the deflationary effects of adverse balance of payments and the growing demand for money by industries for developmental purposes. The result has been that even though all borrowing is becoming dearer, the banks have not been able to obtain deposits and other funds sufficient for the full accommodation of the increasing demands. The Government has, however, taken a few measures to provide relief, but a positive solution of the problem is the need for stepping up real savings and domestic capital formation, for which effective incentives are necessary.

What calls for attention before anything else is the problem of medium-term credit ranging from five to seven years. Given the credit base of the banks — 60 per cent being demand deposits, 30 per cent payable within six months and the remaining 10 per cent in a year or so — coupled with the fact that the ratio of advances to deposits is already as high as 70 per cent, and in some cases has even touched the 80 per cent mark, it is extremely unlikely that they will be able to undertake the responsibility. In this connection Mr. Birla has given a positive suggestion for the issuance, by banks, of bonds with a maturity of three to six years on the Swiss model. If such bonds are exempted from stamp duty as in the case of debentures issued by the Industrial Finance Corporation, etc., and if interest is payable after deduction of income-tax at source, the result may be fruitful in that a base for medium-term credit to industry may be established in the long period. Immediately, however, the scheme to make available to commercial banks the sale proceeds of the American wheat loan, which are earmarked for the assistance of the private sector, is sound and practicable, and if executed in a well organised fashion, may go a long way in relieving the tightness in the money market.

The country's foreign exchange position being what it is, and the necessity now being recognised for obtaining long-term credits from abroad, have made it increasingly clear that private foreign investment in India should be encouraged. This can prove to be useful in the same way as it was in, for example, the U.S.A. in the initial stages of her development when large investment funds flowed there from Europe to develop her transport and some major industries. Foreign investment is essentially a means of improving the distribution and use of the world's productive resources. In an underdeveloped country like India, where considerable imbalance exists between the supply of capital and other factors of production, the need is obvious and pressing. It would not be a day too early for the Government to do hard rethinking on the current policies so that they may be suitably modified and adapted to the changing economic conditions in the country.

TRAINING FOR INDIAN STEEL ENGINEERS

ONE OF the difficult problems in the setting up of the ambitious steel projects in the public sector from the beginning has been connected with the requirements of technical personnel. It was estimated that the supervisory staff from Foreman upwards that would be needed would be 2,100 and about 120 of the supervisory staff had to be highly qualified engineers. The bulk of these had obviously to be trained abroad and the agreements with the German combine and the Soviet authorities themselves provided for part of such training facilities. Thus nearly 100 engineers are undergoing training in Russia and about 70 in West Germany. Apart from these, similar facilities have been secured on a large scale from the U.K. and the U.S.A. and on a smaller scale from Australia and Canada. It is in this context that it is heartening to find that plans have been finalised to send 200 Indian engineers to the U.S.A. for receiving training for a year. On return, the engineers are expected to be absorbed in the steel projects at Rourkela, Bhilai and Durgapur.

An outstanding feature of this training programme is the grant of 1.5 million dollars by the Ford Foundation which will meet the trainees' living expenses in the United States and their academic fees. The Ford Foundation's work in India since 1951 has been quite substantial and more than 16 million dollars have been spent on rural welfare, education, etc., and this latest grant is certainly timely and is a notable contribution in an important field of the country's development activity. It is stated that in addition to production and manufacturing procedures, the trainees to be sent to the U.S. will be instructed in such management techniques as accounting, quality control, safety and job analysis. The American steel industry has offered its full co-operation and will bear the cost of instruction and training in their plants. The entire programme is to be evaluated in the spring of 1958 to consider whether it should be modified or extended. The Government of India have expressed the hope that the experience of the initial group of trainees will be successful and the U.S. steel industry will extend the programme and train an additional 700 to 800 engineers. There seems to be little doubt that the U.S. would extend its hand of co-operation to close a vital gap in resources to implement the steel segment of the second Plan.

EUROMARKET AND THE FREE TRADE AREA

TOWARDS THE end of the last month, the outlines of the European common market were given formal shape with the signing of the treaty by the six 'Messina' countries. When it comes into full operation — and

that will take some 12 to 15 years of uninterrupted process — it will have abolished tariff, quota and other trade restrictions between France, Germany, Italy, Holland, Belgium and Luxembourg. Whatever the reasons that have speeded up the signing of the treaty, it is the feeling of some, at least, in the group that not much economic purpose would be solved if the U.K. and some other European countries were to remain outside. Accordingly, the idea is being extended to evolve what has been termed the free trade area which would include the U.K., the Scandinavian countries and other OEEC countries that would be willing to join. The main distinction between the European common market and the free trade area would be that while the countries in the former will have common tariffs with the other countries of the world, those in the free trade zone would be at liberty to maintain their own tariffs with all countries outside the zone boundaries.

It is difficult at the present time to measure accurately the impact of the free trade area on the composition of India's export and import trade. Much the best part of India's exports to the U.K. comprises cotton manufactures and tea, coffee and similar other agricultural products. Both in the case of cotton manufactures and agricultural products, India appears to stand to benefit in some respects. In agricultural products the existing preference will continue which should be helpful. Japan is India's greatest competitor in the U.K. market for cotton and the preferential treatment in favour of this country may reduce the severity of the Japanese competition. However, Indian exports to other countries of the area may receive a setback even though it could be possible for Britain to import from India and re-export to such countries without having to cross the tariff barriers. But such a development is not altogether desirable in so far as India has been attempting to increase direct trade with the continental countries which are largely her suppliers of capital goods.

For capital equipment imports into India, the possibility cannot be ruled out that the supplies may be diverted to other countries within Europe, at the expense of this country, making it difficult for India to meet her growing needs of machinery and scarce industrial products. It may be argued that this can be only a short-term effect and that such transfers may increase the production capacity of the European countries in the long run. While this may be good for those countries as such, for India it would mean dislocation and delay in the execution of its development projects, which she cannot afford.

INDO-GERMAN TRADE

IT IS a matter of great satisfaction that the Governments of India and West Germany have agreed to give all possible facilities, consistent with their respective import and export regulations, to enlarge the scope of trade and to promote commercial contacts between the two countries. Under three sets of letters exchanged recently between the West German delegation and the Government of India, quotas have been fixed for a number of items of Indian exports which are still subject to quantitative restrictions in West Germany.

Under the circumstances, it seems doubtful if the imports from West Germany would continue to run at a high pitch unless deferred payment facilities are agreed upon to mutual benefit. In this connection it would not be out of place to mention that recently the Government of India proposed to regulate imports of capital goods according to the availability of the foreign credits for financing purchases by Indian importers. The details of this scheme were discussed with the West German delegation and the delegation seems to have appreciated the difficulties the Government of India was placed in. How far suppliers' credit will be available from German manufacturers is a matter whose outcome must depend on further negotiations. But the propects of such accommodation is there.

The German delegation have invited a team of business men from India to visit Germany in order to explore the possibilities of export trade entering into deferred payments arrangements. The move is to be welcomed as it would not only afford an opportunity for our importers to establish close relations with German exporters, but it would also help in the sphere of technical assistance so very essential for the successful execution of the Plan.

At present India exports only a few agricultural products like tea and vegetable oilseeds and oils. There is scope for increasing exports of ores, of hides and skins and leather goods, of textiles, jute and coir manufactures and various handicraft products. It is up to Indian exporters and industrialists to give concrete shape to it. The most effective field for economic cooperation is in the sphere of technical assistance. There are so many projects in which West German collaboration has been offered and is possible. In addition to the scholarships and technical apprenticeships, there is the offer from West Germany to assist in the setting up of a prototype training workshop for the development of small and medium scale industries in India. Last year's agreement provides that the supply of equipment as well as senior staff for a higher technological institute to be set up shortly in the North should be made by West Germany. This project is now taking concrete shape. As a result of the measures that have now been agreed upon trade and economic relations between the two countries will be further strengthened.

SELF-SUFFICIENCY IN JUTE

THE GOVERNMENT OF INDIA have decided to set up a Central supervisory body with the Jute Controller as Chairman to review periodically the progress of achievement of the jute production target of 55.4 lakh bales fixed for the second Five-Year Plan. Announcing this at a high-level conference on promotion of jute production here recently, Dr. M. S. Randhawa, Vice-President of the Indian Council of Agricultural Research, stated that the step had been taken by the Government in view of the national importance of achieving self-sufficiency in jute. Similar bodies would also be set up at the State level in the jute-growing States, he said.

The Central supervisory body will consist of: the Jute Controller (Chairman), representatives of the Planning Commission and the Indian Jute Mills' Association, Directors of Agriculture of West Bengal, Assam, Bihar, Orissa and U.P., the Chief Jute Development Officer, the Director of Railway Movements, Calcutta, and the Secretary of the Indian Central Jute Committee. Dr. Randhawa asked representatives of the States to treat the problem of jute production in India on an emergency footing in view of the difficult foreign exchange position. The conference decided to speed up the distribution of fertilizers to jute growers in view of the short time available before the next sowing season. It was emphasized that more depots should be opened so that the fertilizer could reach the cultivators in about six to eight weeks' time from now.

Company Meeting

THE UNITED COMMERCIAL BANK LIMITED

Statement of Shri G. D. Birla, Chairman of The United Commercial Bank Ltd., circulated to the shareholders at the Fourteenth Ordinary General Meeting of the Bank held on 18th April, 1957.

Gentlemen,

The Balance Sheet and Profit and Loss Account for the year ended 31st December, 1956, have been in your hands for some time and they bear testimony to the brisk activity of the bank's business in the past year.

PROFIT AND LOSS ACCOUNT

We have been able to show the substantially increased profit of Rs. 56,51,658-6-9 in respect of last year's working This resullt is naturally a matter of considerable gratification to the Board as it would be to you and the Directors would like to see that it is maintained, and if possible, improved upon. It is, however, necessary, in view of the uncertainties of the monetary outlook and of trade, to sound a note of caution. The resources of banks are not expanding as fast as we would wish with the result that competition for deposits is very keen, and the rate of interest allowed on deposits has risen. But the rise in the rate of interest charged on advances is not adequate to offset the higher cost of deposit money. Borrowings from the Reserve Bank of India are progressively costing more. Operating costs, of which salaries are the largest item, continue to rise. In these conditions the maintenance of future profits at the higher level now atttained is dependent on increase in business, greater volume of deposits and prevention of rise in working expenses through the achievement of greater efficiency.

Shareholders will observe that we have considered it prudent in these circumstances to utilise a substantial part of our additional profit to increase our allocation to the Reserve Fund which now stands at Rs. 1.15 crores. At the same time we have been mindful of the shareholders and the staff in that we have increased the dividend payable to shareholders and the bonus disbursed to staff.

DEPOSITS

Turning now to the main features of the Balance Sheet, you will notice that the total of current, savings and fixed deposits and other accounts at the end of 1956 stood at Rs. 52.15 crores as compared with Rs. 47.69 crores at the end of 1955. The increase in deposits of Rs. 4.46 crores represents a rise of 9.3 per cent in 1956 against 17.9 per cent in 1955 and compares with the rise of 7.8 per cent in the deposits of scheduled banks as a whole for the year 1956.

CASH

Cash on hand and with banks was Rs. 7.51 crores and represented 14.4 per cent of our deposit liabilities.

INVESTMENTS

The investments of the bank in Government and other approved securities stood at Rs. 19.43 crores which is a reduction of Rs. 2.74 crores from our holding at the end of 1955. In that year we invested in Government securities the bulk of our increase in deposits but we have now corrected that position and have effected a more even spread over advances and bills. The cash resources and unencumbered investments, together amounting in the aggregate to Rs. 22.03 crores, give a ratio of 42.2 per cent to total deposits.

In view of the bill market scheme of the Reserve Bank of India our liquid assets are not confined merely to cash and government securities but also include eligible bills which augment our liquidity.

BILLS

The amount of bills discounted and purchased increased during the year from Rs. 9.74 crores to Rs. 15.92 crores. A good percentage of these are sight bills which are continually falling due while usance bills are available as collateral for advances from the Reserve Bank of India. You will be gratified to note that this self-liquidating asset forms 30.5 per cent of the deposits of the Bank.

LIQUIDITY RATIO

The total of our liquid assets — cash on hand and with banks, unencumbered investments and bills — represents 66 per cent of our deposits liabilities, which you will agree is a very satisfactory liquidity ratio.

ADVANCES

Our advances have risen from Rs. 17.85 crores to Rs. 22.54 crores and they form 43.2 per cent of our deposits. We have endeavoured to meet all legitimate demands of our customers for increased accommodation and, for this purpose, have freely drawn upon the facilities available with the Reserve Bank of India for advances against bills and government securities.

FOREIGN EXCHANGE BUSINESS

The foreign exchange business of our Indian and Overseas Branches has shown a gratifying expansion. Owing to the increase in its activity our London branch was moved to more spacious premises at No. 12, Nicholas Lane, E. C. 4.

The credit for the excellent results of the working of the Bank goes primarily to the General Manager, Mr. S. T. Sadasivan and his able deputies and assistants, to whom I take this opportunity to record the thanks of myself and of the Board of Directors. I wish also to record our thanks to the other members of the staff of the Bank for their contribution in achieving these results. I also look forward to greater co-operation from them in the current year and the years to come.

BANK RATE

The official bank rate of the Reserve Bank of India remained unchanged at 3½ per cent but the cost to commercial banks of borrowing from the central banking institution has been progressively increased. In the first place the rate of interest chargeable to commercial banks for loans against usance promissory notes under the bill market scheme was put up in two stages from 3 per cent to 3½ per cent and the concession that the Reserve Bank of India would bear half the stamp duty on usance promissory notes was withdrawn. Early this year, the stamp duty on bills of exchange and usance promissory notes was raised ten-fold to two annas per cent for three months or part thereof. This has enhanced the cost of borrowing against usance bills by a minimum of half per cent and when allowance is made for the fluctuations in the debit balances of customers over a period and of the bank's borrowings against bills, the rise in the real cost is very much more than half per cent per annum. At the same time the Reserve Bank rate for advances to scheduled banks against Government securities was put up to 4 per cent. For all practical purposes, therefore, the bank rate has effectively been raised from 3½ per cent to 4 per cent. The working of the bill market scheme will, however, be much facilitated if the Government would annul the recent enhancement of the stamp duties on bills of exchange and usance promissory notes, leaving it to the Reserve Bank to charge the same rate of interest to scheduled banks for loans against bills as against Government Securities.

While money rates in India are hardening there is a retreat from dear money in other international money markets. The Bank of England rate has gone down from 5½ per cent to 5 per cent while open market rates in London are more akin to a still lower bank rate. The bank rate in West Germany has been brought down in two successive stages from 5½ per cent to 4½ per cent.

MONETARY CONDITIONS

For the past six months conditions in the money market have been very stringent and the demand for funds has continued unabated. Short and long-term factors have been at work in creating these conditions. Among the short-term factors may be mentioned the deflationary effects of adverse balance of payments caused by excessive imports. Imports of machinery have imposed a heavy drain on bank finance and import of iron and steel, which has been exceptionally heavy, has been a new factor in the demand for funds. There has been a basic alteration in the pattern of bank advances, the seasonal character of which has been largely blurred on account of financial requirements of industry being spread evenly throughout the year. Secondly, inventories of trading, manufacturing and engineering companies stood at a very high level. The long-term trend has been the rising demand for money from industries to meet the increased needs of a developing economy. The resources of commercial banks have not risen proportionately to the increased demand. There has been a further tightening of money during the conventional busy season as a result of the requirements of crop finance and of the sugar industry being superimposed on the more stable pattern of industrial demand.

The problem for the monetary authorities is, therefore, how to meet the legitimate demands for accommodation while at the same time keep inflation in check during a period of substantial development expenditure under the second Five-Year Plan.

It is gratifying to note that the Finance Ministry and the Reserve Bank of India have taken measures to remedy the situation in good time and liberalised the bill market scheme so as to make Central Bank credit freely available to scheduled banks for the legitimate purposes of credit expansion during the current busy season. Another welcome step is the change in the policy of the Reserve Bank as regards open market operations in Government securities. The sale of banks of Government securities during the busy season was a normal method of providing themselves with funds during periods of stringency but the Reserve Bank discontinued buying securities since the middle of 1951 save in exceptional cases and banks had therefore to put themselves in funds by borrowing from the Reserve Bank. During the current busy season the Reserve Bank has changed its policy and has bought securities freely from banks. The only unsatisfactory feature is that bank deposits have not registered a growth commensurate with the growth of economy. Conditions have to be created under which there may be a revival of real savings and encouragement to domestic capital formation.

MEDIUM-TERM CREDIT

The problem of medium-term credit has to be tackled urgently. What should be the organisation or institution that should disburse medium-term credit to private industry and how should the large resources required for the purpose be raised? There is already an appreciable element of medium-term financing included in the advances of scheduled banks and their investments. There is an increase in investments by banks in ordinary and preference shares of industrial companies and in their debentures. The banks have also subscribed to the capital of institutions like Industrial Finance Corporation, Industrial Credit and Investment Corporation of India and State Finance Corporation, which have been organised to extend long term credit to industry. Advances have been made by banks against stocks and other approved securities but in reality the money so raised has been utilised for the purpose of expansion of block.

With the ratio of advances to deposits well over 70 per cent and, in individual cases, topping even the 80 per cent mark, it is clear that commercial banks now lack the credit base to carry the load of medium-term finance to Industry. 60 per cent of bank deposits are repayable on demand, another 30 per cent are, probably, repayable within three to six months and a bare 10 per cent of deposits have a year to run. The idea that commercial banks should grant medium-term loans ranging from five to seven years out of the resources of this nature conflicts with principles of sound banking. Whether medium-term financing should be the responsibilty of special institutions or whether commercial banks should undertake this additional responsibility, and if the latter is considered the better course, to what extent the well established rules of practice of commercial banks should, at the present stage of development of banking, be modified and what protection should be given in the event of the loans getting frozen, are all matters which have to be carefully enquired into. Banks may legitimately employ a part of their capital and resources not represented by fixed assets in such loans and this they have already done.

A wider incursion in the field of medium-term loans to industry would require the previous development of long-term deposits from the public. Swiss banks are known to have raised funds through the issue of bonds with a maturity of three to six years and if Indian banks could issue such bonds successfully, a base for medium-term credit to industry would have been established. In Switzerland the stamp duty on such bonds is a nominal 1.2 per mile per annum, whereas by virtue of the recent Finance Act, the stamp duty in India has been stepped up to 1 per cent. If on the analogy of the debentures issued by Industrial Finance Corporation of India and the Co-operative Central Land Mortgage Banks, the Bonds to be issued by Commercial banks are exempted from stamp duty, and the interest thereon is made payable after deduction of income-tax at source, as in the case of Government Securities, the ground would be well prepared for an interesting experiment.

Such an experiment would, however, take a long time to produce results whereas the medium-term credit needs of industry are urgent. In view of this, the U.S.A. funds arising from the sale of wheat which are ear-marked for assistance to the private sector of industry, could well be handed over to the Commercial Banks and utilised for medium-term loans to existing industries for the purpose of expansion, such loans to be repaid out of subsequent earnings of the borrowing companies.

Finance for starting new industries and permanent capital required by existing industries should be left to be raised by issue of new capital to the public through the normal channels and it is here that the Stock Exchange comes into the picture. The Stock Exchange does not create or destroy the prosperity of the country. But it does act as the barometer of the conditions obtaining in industry and, as such, the present low level of activity in the Stock Exchange clearly indicates how confidence in the stability of industry has been shaken among the investors, and how impossible it is for companies, now, to raise any new capital. It is, therefore, necessary to bring about an amelioration in the condition of the middle classes and a revival of the confidence of investors in order that companies might be able to raise new capital through the customary channels.

SUCCESS OF THE FIRST FIVE-YEAR PLAN

The execution of the first Five-Year Plan has been acclaimed as a success on all hands and the targets of development and production have been fully achieved and in some cases surpassed. In the field of agricultural production the output of foodgrains rose from about 54 million tons to 65 million tons; cotton from 2.9 million bales to 4.9 million bales; jute from 3.3 million bales to 4 million bales; oilseeds from 5.1 million tons to 5.5 million tons. In the field of industrial manufactures the production of cotton textiles increased from 4,618 million yards to 6,850 million yards; sugar from 1.1 million tons to 1.7 million tons, paper from 114 thousand tons to 200 thousand tons; cement from 2.7 million tons to 4.3 million tons; fertilisers from 46 thousand tons to 380 thousand tons and automobiles from 16,500 units to 25,000 units. The first Plan was a modest one which did not strain the available resources. The total investment was very roughly Rs. 3,100 crores of which the investment in the private sector accounted for a little more than half the total. The net borrowing from the Central Banking Institution, which is the extent of deficit financing, was only Rs. 350 crores. As a result of the financial operations during the first Plan period and the economic development during the period bank deposits went up from Rs. 882 crores to Rs. 1,042 crores and the currency Notes in circulation from Rs. 1,247 crores to Rs. 1,467 crores. Thus the total money supply during the first Plan period increased by Rs. 380 crores.

ACHIEVEMENT OF THE PRIVATE SECTOR IN THE FIRST PLAN

Another factor to be noticed during the execution of the first Plan is the very substantial contribution made by the private sector for the success of the Plan. In the first Plan period, though the overall investments by the public and the private sectors were about equal, the investment outlay in the large and medium industries by the public sector was Rs. 148 crores as compared with Rs. 340 crores by the private sector. The private sector was able to mobilise the resources required and contributed in such a spectacular manner to the rise of industrial production during the first Plan period.

WIDE SCOPE FOR PRIVATE ENTERPRISE IN THE SECOND PLAN

Turning to the second Five-Year Plan the industrial development by the public sector in the field of large and medium industries and minerals envisages an investment of the order of Rs. 700 crores whereas the investment allocated to the private sector is Rs. 575 crores over new projects and Rs. 150 crores on replacement and modernisation. It will thus be seen that from the financial point of view, the private sector is invited to play as important a part as the public sector in the field of industrial development. In this connection it should be borne in mind that the bulk of the investment in the public sector relates to the three steel projects, heavy electrical machinery, machine tools and fertilisers, all of which, in any case, could not be developed by private enterprise without a very substantial backing from the Government. The wide range of industries awaiting development and expansion on a big scale in the private sector are the iron and steel, ferro-manganese, refractories, aluminium, cables, heavy and light engineering industries, automobiles, railway wagons and rolling stock, casting, industrial machinery, bicycles, motors, transformers, chemicals, industrial explosives, dyestuffs rayon, sugar, cement, plastics, paper and a host of medium-sized industries too numerous to mention. It is, therefore, on the private sector that the responsibility of normal expansion of industries is placed and the private sector has, therefore, plenty of scope for its initiative and resourcefulness. There is, therefore, no need to emphasize the demarcation between the public and private sectors or to harp upon any imaginary conflict between the two.

FOREIGN EXCHANGE GAP

We are, however, faced with the most serious problems when we turn to examine the resources available to both the public and private sectors for the execution of the various tasks allotted to them. In my speech last year, I drew your attention to the seriousness of the inadequacy of foreign exchange resources to carry through the Plan. I, then, estimated that the foreign exchange required would be anything between Rs. 1,600 and Rs. 2,000 crores and that, even on the basis of the lower figure, there would be a deficit of Rs. 800 crores to be found. This gap has turned out to be wider than anticipated. But if I had foreseen serious difficulties in respect of foreign exchange, I admit I had not expected similar difficulties in the availability of internal capital which has now suddenly become so scarce. Even if we had adequate external finance, without its rupee counterpart, obviously, no industry could be built up. Internal finance has, at present, become so dear that even the best industrial scrips are selling on 8 to 10 per cent yield basis. With the interest rates so high, who would invest his savings in a new venture with all its concomitant uncertainties? If none, then how is the Plan to be implemented? The external and internal finances are the two main rocks on which the Plan may wreck and, therefore, we cannot afford to ignore the danger.

VOLUNTARY SAVINGS

The plain truth of the matter is that the resources for the Plan can come only from savings, whether forced or voluntary. Forced savings can be affected through direct and indirect taxation and such measures as compulsory deposit of reserves. Voluntary savings emerge from the profits of companies and personal savings,

and it is these that from the sources of funds for capital investment in new companies in the private sector. With individual taxation at a very high level, there is very little money with the private investor to subscribe to new issues, and the middle class investor, who formed the backbone of every floatation of capital in the past, has ceased to exist. Since the advent of independence, we have looked after the rural and industrial areas very well, but have neglected the middle class, a fact which is perhaps reflected in the recent elections. We must henceforward lay greater emphasis on the prosperity of the urban area — the cities — if the middle classes are to be rehabilitated and reconstituted as a source of support for industrial floatations.

INDUSTRIAL PROFITS

As regards corporate savings, there has, unfortunately, been a sudden change in the pattern of industrial profits in recent months. The Jute industry is in a bad way and had a record of disastrous losses during 1956. The Textile industry, which was doing well a few months back and was expanding production enormously, is now finding it difficult to sell its products. I venture to hope that this is only a passing phase. If not, it is a real danger to production. Tea prices have gone down and the profits of tea companies and the foreign exchange earnings arising out of the export of tea have declined. The coal industry has its own special problems. It is only cement, steel, paper, engineering and a few other miscellaneous industries, which are really enjoying prosperous conditions. I do not mean to say that there is anything in the nature of an industrial crisis brewing but I certainly feel that the present net earnings of industry are not conducive to large-scale investments and quick expansion of production.

The Finance Minister has rightly remarked in some of his speeches that he was not against earnings but that he desired these earnings to be utilised for the benefit of society. This objective is undoubtedly one which will find echo from every quarter but rather than have the earnings put to good use through compulsion, it would be better to achieve the desired result through methods of persuasion.

INCENTIVE FOR SAVINGS

The experience in all democracies has been that without a friendly climate and expectation of reward, there has been no industrial expansion either in the private or in the public sector. Even the public sector can only thrive upon profits. It appears to me that for development of internal finance, the first and foremost action that we have to take is to revive confidence and create conditions conducive to the greater earnings by industrial concerns to be ploughed back for expansion schemes.

PRIVATE FOREIGN INVESTMENTS SHOULD BE ENCOURAGED

As for external finance, the search for foreign credits and extended terms of payment goes on and may afford some relief and so also the borrowing from the International Monetary Fund and the World Bank. The time has now, however, come to revise our attitude toward private foreign investment which, if freely encouraged,could go a long way to solve our problem of the exchange gap. History teaches us that all backward countries have been built up with the help of foreign capital and, we cannot afford to ignore the lessons of history. We must appreciate the fact that we can build up India quickly only through the help of foreign capital and, since we are an independent nation, I do not see why we should be afraid of it. I feel, therefore, that not only should we allow foreign investment without any restriction but we should welcome it, improve the climate for it and make the investor feel that the opportunities for profitable utilisation of caiptal here compare favourably with those available anywhere else in the world. Sometime ago the Finance Minister stated that he was not against foreign capital but that it had to make peace with Indian capitalists. I hope Indian industrialists will not take narrow view of the situation but, in the higher interests of the country, make it absolutely clear that they welcome foreign capital.

I have tried to deal at some length with the question of internal and external finance required for the second Five-Year Plan and have also suggested measures which may lead to the establishment of a better atmosphere. I am sure the Hon'ble Finance Minister is already aware of these considerations. Mr. T. T. Krishnamachari is no novice in the field of finance. As Minister for Commerce and Industry, he gave a great fillip to production and left the Ministry with a brilliant record of achievement. He may, therefore, be trusted to apply his talents to the financial problems of the second Five-Year Plan and achieve greater success in his new sphere of responsibility. The Commerce Ministry is now presided over by an equally able Minister, but like the Finance Minister he is also faced with great problems. I am, however, confident that he would solve the difficulties in such a way that production and trade expand during his stewardship. With these two key portfolios in the hands of such distinguished ministers, I look to the future with faith and optimism.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

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

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COMPANY AFFAIRS

INDUSTRIAL INVESTMENT TRUST, LTD.

The Directors' Report of Industrial Investment Trust, Ltd., for the year ended December 31, 1956, makes a better showing than that for the previous accounting period. The balance carried to Revenue Appropriation Account, or net revenue for 1956, is higher at Rs. 5,99,627, as compared to Rs. 5,81,908 for the year 1955. The improved result thus and the saving of income-tax (nil for the assessed years 1950-51 to 1953-54 as against Rs. 1,02,764 in respect of 1955) has doubtless enabled the management to double the provision for investment reserve from Rs. 25,000 to Rs. 50,000, as also to recommend a higher dividend — 5 per cent free of income-tax, compared to 4½ per cent paid for the year 1955. At Rs. 3,23,875, the Company has, besides, a sufficiently high free balance, pending the tax assessment for the years 1953 to 1956.

Industrial Investment Trust Ltd., is among the leading Trust companies in India and has consistently followed a conservative but prudent policy in regard to its investments. The result is that the shareholders of the Company have been receiving an assured, though somewhat modest, return year after year. This year, however, the dividend has been stepped up by a half per cent. The care with which the management selects the investments of this Trust company is reflected in the approximate valuation of the Company's investments which, at market quotations, stood higher than the total book value by 3.1 per cent on the day of closing the accounts.

MAHINDRA AND MAHINDRA LTD.

The Company has recorded remarkable progress in its working for the year ended October, 1956. While total sales at Rs. 14 crores are almost 2½ times that of the previous year's Rs. 5.74 crores, the steel sales have multiplied by 3½ from Rs. 2.72 crores in 1954-55 to Rs. 9.62 crores in the year under review. Among other items, jeeps have climbed by a crore of rupees, trailors by Rs. 5½ lakhs and tractors by a little under Rs. 25 lakhs.

The profit for the year, after providing Rs. 2,15,340 for depreciation, amounts to Rs. 46,47,231, which together with the balance brought forward of Rs. 86,831, totals Rs. 47,34,062. From this amount, the Directors have appropriated Rs. 16 lakhs to provision for taxes, Rs. 6.91 lakhs to bonus to employees, Rs. 1.75 lakhs to Directors' Commission and a little over Rs. 66,000 to bad and doubtful debts. That leaves a balance of Rs. 22,01,871 for disposal. The recommendations of the Directors are to pay a tax-free dividend of 12½ per cent per annum on ordinary shares absorbing Rs. 6,87,500. On preference shares, a dividend of 6 per cent per annum, also free of tax, absorbs another Rs. 1.50 lakhs. An allocation of Rs. 1,52,276 has been recommended for reserve for additional taxation and contingencies, and Rs. 10 lakhs are to be transferred to general reserve. The balance of Rs. 2,12,095 is to be carried forward.

The Company's application for relief under Section 23A of the Indian Income-Tax Act was granted and the dividends paid by the Company in the preceding year were declared to be adequate. The Directors propose to submit a similar application for relief this year.

Trading for the first five months of the current year is reported to be satisfactory.

THE STANDARD MILLS CO., LTD.

The Company's working for the year ended December 1956 has been satisfactory and the profit stands at Rs. 47,99,772 after providing Rs. 28,10,063 for depreciation, Rs. 10,26,477 for Managing Agents' Commission and remuneration and Rs. 35,15,000 for taxation. Together with the previous year's balance brought forward (Rs. 12,833), the profit totals Rs. 48,12,605. From this amount, the Directors have appropriated Rs. 17,85,073 to rehabilitation and development reserve and Rs. 7,10,973 to development rebate reserve. The dividends recommended by the Directors are: on 6,000 — 4 per cent cumulative redeemable 1st preference and second preference shares each — Rs. 4 per share, free of income-tax, Rs. 24,000 under each head (or Rs. 48,000 for both); on 87,000 ordinary shares — Rs. 20 per share also free of income-tax, Rs. 17.56 lakhs; and a bonus of Rs. 2½ per ordinary share, again free of income-tax, Rs. 2,19,500. That leaves a balance of Rs. 2,93,059 to be carried forward to the next year's account.

The modernisation scheme of the Mills was continued during the year and Rs. 1,76,202 was spent on construction of new buildings and another Rs. 26,84,364 on installation of new machinery which is reported to be working satisfactorily. Also, the Company has been granted a certificate of approval for acquiring prospecting licences and mining leases in Bombay. Already the Company has obtained a licence for establishing a cement factory in Saurashtra.

SWAN MILLS LTD.

The year 1956 has been one of satisfactory operations and substantially advanced profits, as compared to the preceding year, for the Company. After allowing Rs. 10.50 lakhs for depreciation and Rs. 3.40 lakhs for taxation, the profit for the year amounts to Rs. 14,00,845 as compared to Rs. 9,46,266 in 1955. Including the balance brought forward (Rs. 1,51,030), the profit totals Rs. 15,51,875. From this amount the Directors have appropriated Rs. 1 lakh to general reserve account, Rs. 2.25 lakhs to development rebate reserve and an equivalent amount to retiring gratuity reserve. A sum of Rs. 9 lakhs is absorbed in paying the proposed dividend on 36,000 shares, free of income-tax, at Rs. 25 per share. The balance of Rs. 1,01,875 is to be carried forward.

According to the Directors, prices and deliveries of cloth were satisfactory for the first eight months of the year but declined in the latter part. With this coincided the increase in excise in September, which means an additional amount of excise of the order of Rs. 12 lakhs a year.

THE MODERN MILLS, LTD.

After allowing for bonus to staff for 1956 and gratuity in accordance with the Award of the Industrial Court, Bombay, (both aggregating Rs. 10,55,056) and after providing for depreciation (Rs. 4,68,595) and taxation (Rs. 44,261) —both of which the Company used to provide in previous years by appropriation of profits — the profit for the year ended October, 1956, stands at Rs. 5,77,527. Together with the balance brought forward, it totals Rs. 6,09,197. From this Rs. 2 lakhs has been allocated to machinery rehabilitation reserve. The balance of Rs. 4,09,197 has been recommended to be disposed of by paying a dividend of Rs. 5 and a bonus of Rs. 3 per ordinary share of Rs. 50 absorbing Rs. 3,54,088. The balance of Rs. 55,109 is to be carried forward.

In line with others, the Company had to bear the effects of the enhanced excise duty in addition to the credit restrictions which disturbed the cloth trade.

COMMODITY NEWS AND NOTES

IMPORT QUOTA FOR RAW COTTON

The Government of India has decided to issue with immediate effect, licences for the import of raw cotton of staple length 1-1/32 inches up to 1-3/16 inches from soft currency areas. The varieties qualifying under the staple lengths are Jinja, Bukhedi, West Nile, Budama, Busoga and B.P. 52 Licensing will be done on a ceiling of 50,000 bales and the licences will be valid for shipment up to June 30.

JUTE PRODUCTION TARGET

The Government of India has decided to set up a central supervisory body with the Jute Controller as Chairman to review periodically the progress of achievement of the jute production target of 5.54 million bales fixed for the second Five-Year Plan.

COFFEE EXPORT QUOTA

The Coffee Board has released for export 1,500 tons of coffee out of the 1956-57 crop. The quantity consists of 921 tons of plantation "A" 372 tons of plantation "B" and 207 tons of plantation triage.

CAPITAL GOODS IMPORTS

Imports of capital goods during the last quarter of 1956 recorded a substantial rise of Rs. 474,000,000 over a year, according to the Reserve Bank of India. This was mainly responsible for the sharp increase in the value of total imports which rose from Rs. 1,858,000,000 in October-December, 1955 to Rs. 2,940,000,000 during the period under review, a rise of Rs. 1,082,000,000. The expenditure on machinery, metals and vehicles, the main components under capital goods totalled Rs. 943,000,000 in the last quarter showing a rise of 60 per cent over the corresponding quarter of a year ago.

TRANSPORTATION OF COAL

The Union Government has accepted the recommendations of the sub-committee of the Coal Transport Advisory Committee for giving top priority to proposals for increasing siding and loading accommodation to the collieries to enable them to move their increased output during the second Plan period. The Coal Board has granted permission to ten collieries for opening or reopening of mines.

US COTTON FOR PAKISTAN

The US Agriculture Department has announced issuance of an authorisation to Pakistan to buy 21,000 bales of US cotton. Contracts might be made April 19 to June 29 with deliveries for April 19 to December, 31.

AUSTRALIAN GOLD RESERVES UP

Gold balances held abroad by the Commonwealth Bank jumped £A13,404,736 to £A422,666,798 in the week ending April 10. The level is the highest for 2½ years.

PEAK GERMAN EXPORTS

German exports last month showed a marked rise at £274.9 million or 37.8 per cent more than in March, 1956 and over 50 per cent more than in March, 1955. Exports last February amounted to £230.7 million. Imports at £229.3 million also reached a new peak—an increase of 24.2 per cent over March last year. The export surplus totalled £59.5 million in January-March period as against £34 million in the comparable period of last year.

CANADIAN NICKEL OUTPUT UP

Canadian production of nickel in all forms was advanced in January to 16,554 tons from 14,985 in January, 1956. Output of new primary copper eased to 26,053 tons from 30,075 a year before.

CHEMICAL SALES IN US

The chemical industry in US is selling more of its products this year than a year ago, it is indicated by reports from two leaders in the field, 'du pont' and 'Union Carbide'. 'Du Pont' reports that sales were up by 9 per cent in the first quarter of this year and 'Union Carbide' by 6 per cent, compared with a year ago. 'Du Pont' sales for the latest quarter represented a record for any similar period in Company history.

NAURU PHOSPHATES RECORD

The British Phosphate Commission shipped 1,771,353 tons of phosphates—a record—from Nauru and Ocean Islands in the Pacific during the year ended June 30, 1956 states the annual report of the Commission. The UK, Australia and New Zealand acquired the phosphates rights in the island in 1920, for £3.5 million.

HIGH COTTON STOCKS IN EGYPT

With the reopening of the Suez Canal, Egypt expects to dispose of her accumulated cotton stocks and thus relieve her balance of payments position. Despite exports to East Europe, sales of Egyptian cotton this season up to the end of February reached only £40 million as against £60 million for the corresponding 1956 period.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
September 1956 ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March ,, c ..	402·5	518·0	403.3	384.1	569.8	421.2	89,9	98.9	89.8	111.5
Week Ending										
23-2-1957 ..	403.0	514.5	405.4	384·1	579.4	421.6	89.9	99.0	79.6	*112.1
2-3-1957 ..	402.8	516.3	403.2	384.0	574.9	421·2	89.9	98.9	79.8	110.9
9-3-1957 ..	402·4	519.3	403.7	384.2	569.7	421 5	90.0	98,9	80.0	111.9
16-3-1957 ..	402.3	514.1	404.1	384.5	567.9	420.8	90.0	99.0	80.1	111.9
23-3-1957 ..	403.6	520.8	403.8	386.9	567.1	422.0	89.9	98.9	79.7	111.5
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7	90.0	98.9	79.3	109 2
6-4-1957 ..	405.1	514.7	398.8	383·9	564 4	420.7	90.0	98.9	78.9	107.5

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956 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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	340	356	—	151	356	436	—	—	370	—	—	150
1957 January	339	355	—	—	354	436	—	—	372	—	—	148

†Base 1494=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	12-4-1957			5-4-1957			29-3-1957			22-3-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	106- 1	105- 0	105- 9	106- 0	104- 8	105- 3	106- 1	105- 2	105-12	105-14	104- 8	105- 4
Silver (per 100 fine tolas)	180- 7	178- 7	179- 3	180- 2	177-10	178-15	180- 6	174- 9	177-15	179-12	174-10	177- 8

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)*	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
[illegible]ember ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
8-3-1957 ..	1,525,91	9,55	1,535,46	117,76	412,52	530,28	34.5	120,21	884,97	1,535,46
15-3-1957 ..	1,524,71	11,41	1,536,12	117,76	412,52	530,28	34.5	120,86	884,97	1,536,12
22-3-1957 ..	1,517,79	19,41	1,537,20	117,76	412,52	530,28	34.5	121,95	884,97	1,537,20
29-3-1957 ..	1,526,09	11,77	1,537,86	117,76	412,52	530,28	34.5	122,61	884,97	1,537,86
5-4-1957 ..	1,563,57	7,88	1,571,45	117,76	412,52	530,28	34.0	126,20	914,97	1,571,45

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities †	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	135,40	7,79	52,89	61,93	259,02	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,46
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,90	19,06
Week Enbing														
8-3-1957 ..	51,88	2,75	52,24	41,84	148,71	142,65	301,36	9,75	5,32	98,89	11,40	106,58	56,22	13,2
15-3-1957 ..	54,87	22,78	52,03	74,38	204,06	143,79	375,86	11,58	3,18	130,23	9,64	108,87	80,82	13,5
22-3-1957 ..	58,63	35,15	51,10	74,57	214,45	147,73	372,18	19,59	2,58	125,21	5,81	124,73	80,82	13,4
29-3-1957 ..	64,57	31,95	57,77	74,28	228,56	161,03	399,59	11,95	2,98	114,31	7,65	127,87	121,22	13,6
5-4-1957 ..	60,59	7,90	60,00	74,49	202,98	150,30	363,29	7,98	15,24	112,82	15,65	106,04	91,97	13,5

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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 ..	674,56	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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
June 1956 ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	140,94†	69.35	378,01
November ,, ..	645,84	457,42	1,103,26	36,36	50,64	7.99	601,41	162,79†	70.24	388,95
December ,, ..	650,85	460,19	1,111,04	36,63	51,06	7.98	611,97	168,62†	71.07	388,11
Week Ending										
8-3-1957 ..	706,01	464,25	1,159,55	36,84	50,56	7.54	701,12	164,90†	74.69	349,2[illegible]
15-3-1957 ..	706,72	467,17	1,161,90	35,66	51,59	7.51	710,51	166,20†	75.46	348,9[illegible]
22-3-1957 ..	701,09	466,86	1,156,76	36,90	52,34	7.71	711,24	171,33†	76.30	348,0[illegible]
29-3-1957 ..	708,46	473,16	1,171,42	34,28	54,54	7.58	721,77	176,00†	76.64	347,41
5-4-1957 ..	725,89	480,31	1,196,25	39,44	62,12	8.49	716,19	182 31†	75.11	347,2[illegible]

* 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	1,505,09	679,23	667,22	12,01	+263,69
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	+43,79
May ,, ..	2,225,97	1,539,66	686,31	675,69	10,61	—2,14
June ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,109,41*	1,435,95*	673,46	662,92	10,54	—25,51*
October ,, ..	2,123,00*	1,442,52	680,48	669,64	10,84	+13,59*
November ,, ..	2,151,46	1,462,01*	689,45	677,99	11,46	+28,46*
December ,, ..	2,178,30*	1,486,45*	691,85*	679,89*	11,96	+26,84*
January 1957 ..	2,219,80*	1,509,61*	710,19*	699,42*	10,77	+41,50*
February ,, ..	2,262,15*	1,528,38*	733,77*	721,98*	11,78	+42,35*

* Provisional.
† Excluding balances held on I.M.F. Account No. 1. **Source:** Monthly Bulletin of Reserve Bank.

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Before the Budget

MAY 15 is another 'D-day': the second Budget day in the calendar year 1957 because of the accident that India has had two different Lok Sabhas in this year. A belief has been sedulously created that in some remarkable, but undefined, sense the new Lok Sabha has a different outlook and a different capacity to operate on the Central Government's policies than the old. This, of course, is nothing more than a superstition, or at best a gesture to a political convention. The tiresome repetition of many observations made on the March 'Vote on Account' will now have to be endured; again, it is extremely unlikely that the observations on any taxation proposals that the Finance Minister will place before the Lok Sabha will affect the current of economic policy. In part, the Finance Minister has been responsible for the strait-jacket in which the country now finds itself with virtually no capacity of manoeuvre either in the foreign, or domestic, financial field. But it would be quite erroneous to place on him the major responsibility for things as they are. There is no doubt that it is the size of the Plan, and almost nothing else, which has decreed our present financial crisis. The Finance Minister is the creature of the Plan; he can no longer create his environment. He is the servant of events, not their master.

What seems to be irrational, both in the view of the public and private sectors, is the continued belief that the Finance Minister of India can by his Budget policy provide a solvent for the current crisis. Political currents have decreed a rate of

advance which it has been found economically impossible to sustain at least in this calendar year. Instead of recognising the damage which has been done to the economy by ceaseless overstrain, particularly with the pause in agriculture — for reasons which the Ministry of Food and Agriculture is still quite unable to explain — we are pretending to ourselves that the Finance Minister of India can invoke financial wizardry at his command to right the situation. And thus both hopes and fears are excessive. One should remember that both are unwise; intelligent analysis of a crisis should be free from both. Equally the Finance Minister should not strive to satisfy the extravagant expectations that are being raised. His last two Finance Bills bore the mark of haste and inadequate forethought, largely, it seems, because of unwarranted pressures. But haste, like anger, is a bad counsellor, most of all, perhaps, in finance.

While one can suggest moderation to the Finance Minister, one must recognise the tremendous political pressure that exists to increase taxation at the present time. The belief that inflation is the result of an uncovered revenue deficit on revenue account dies hard. Of course, this is the wildest nonsense. It is the overall deficit that matters, and not the nice distinction which official accounts make between our capital and revenue accounts. Political currents, it seems, have decreed that the overall deficit shall run at a figure of nearly Rs. 300 crores. Thus these political currents have decreed inflation, whatever the Finance Minister might choose to do on his taxation proposals. The current unsophisticated opinion that taxation can do the trick is thus hopelessly misplaced.

On the other hand, the capacity to tax even in relatively small quantities in the wrong places will do serious damage. The covering of the revenue gap can do us no substantial good; but it might do us significant harm. Will the Finance Minister in these circumstances choose this erroneous course? If he does, his difficulties next year will not be merely great; they will be insurmountable; for confidence is now at a low ebb. It may respond by a crash. Thus, on the eve of the new Budget, one arrives, paradoxically, at the conclusion that the Finance Minister had better not have a new Budget. The 'Vote on Account' has given the Government of India plenty of opportunity to cut items without proclaiming its intentions to the whole world. Politically, the country would be satisfied that the Plan is still under way even if in practice much of the expenditure is held back — much more than could possibly be raised by taxation. What should be important in the mid-May budget is its preamble and not its text—that is, the assessment which the Finance Minister gives before his precise proposals. The kernel of the preamble should be that taxation is held in suspense, and the expenditure pattern pruned drastically even if, for good political reasons, the act of pruning is not widely advertised.

This would not be to practise deceit upon the Indian people. The Finance Minister can easily convince the country that the only manner in which real incomes can be maintained for the lower income brackets is to maintain the value of the rupee both at home and abroad. This, without a period of intense consolidation, will be nearly an impossible task. For one thing, a seasonal factor will operate on food grain prices for the next six months, raising the general index of food grain prices by between 10 and 15 per cent even if moderate imports are thrown into the scales. With this seasonal pressure, it will certainly be impossible to hold a free line with new development expenditure; it will be impossible to hold the price line even if substantial new excise duties add to the present cost of living. Surely this can be explained to the people with all the facts and they will respond with understanding and even generosity. It is not in the public interest that a mistaken level of Government expenditure should be persisted in merely to save the Government's face.

In the last analysis, the strength of the Indian Union lies in the maturity of its people. Those who can recall the Great Depression of the thirties will remember thousands of acts of personal heroism particularly in the countryside, when dire hardship visited literally millions of our people, but was quietly and cheerfully taken. Only a political party which had no vision of those tremendous days—when sacrifice and hardship were sought out as opportunities for dedication—will hesitate to tell the Indian people the blunt truth on the present occasion. The blunt truth is that we have arrived at a situation at which there is no solution except to adjust our major determination to proceed with the Plan at the level contemplated. This does not mean that we cannot take up the thread some time, perhaps in a year or two. We may or we may not; but we must tell the people that it is not in the national interest at the present time to run the risk of inflation—the full impact of which will fall undeservedly on the poorest in the country. If pushing back the price level is impossible—and so, it seems, it is for the short period—Government must take the responsibility at least of arresting as much of the rise as is humanly possible. The country will not expect miracles even from its heroes. They remain men for all that. And the Opposition should not choose what is truly a national crisis for scoring petty debating points to illustrate the fact that the Congress Party has seriously erred.

Because this is a truly national crisis, it should be met by a supreme national effort to abandon anger and recrimination until the crisis has passed. There are deep divisions in the country between political parties, between employers and employed, between urban and rural areas, and between those wielding power and those suffering by its excesses. There are genuine grievances as well as imaginary ones, but the essence, and even the grandeur, of a great national crisis is that it gives us an opportunity to surrender good, as well as bad, grievances in a cause which is greater than ourselves. That cause is, as it always must be, India. That is the whole which is always greater than the sum of its parts. A sacrifice for the nation can enrich us more than the sum of individual sacrifices leaves us in want. In this sense the leading note in this crisis is not social, political or economic; in its highest sense, it is moral. It is a challenge to dedicate ourselves anew to the service of all. When the trumpet sounded forty years ago, it found us ready. Does the trumpet itself now give forth an uncertain sound?

Community Projects Disappoint?

THE Fourth Evaluation Report on the working of Community Projects and National Extension Service Blocks, which was presented at the sixth conference of Development Commissioners held at Mussoorie a few days ago, is important from more than one point of view. It was the first really independent evaluation made of the performance of these projects and blocks. All the previous evaluation reports had been made either by the paid staff of the Planning Commission or by persons directly associated with the working of the scheme. The present Evaluation Report is the product of detailed studies undertaken under the auspices of the Programme Evaluation Board set up by the Planning Commission in December, 1956, and headed by a distinguished non-official, Dr. V. K. R. V. Rao of the Delhi School of Economics. And Dr. Rao is not an official of the Government. The second important point about this report is that it covers the period up to the last year of the operation of the first series of community projects started in 1952-53. It was, therefore, possible for Dr. Rao's team to make an overall appraisal of achievements in these areas, both in physical terms and in terms of behaviours and attitudes — an assessment which was not feasible in the three earlier Evaluation Reports. As a matter of fact, work in most of these areas came to an end in September, 1956, when they entered into what is called the "post-intensive phase". After a period of "intensive development of 3½ to 4 years, these areas are supposed to have been fully developed and placed on a "post-intensive" pattern, which is expected to continue indefinitely into the future.

The Report makes very disquieting reading. While it admits that almost all villages have been covered by one or more items in the programme, it points out that the achievement has been neither uniform nor co-extensive with the accepted programme. Not only it is; the performance has been singularly unsatisfactory in certain sectors and also in terms of behaviour and attitudes of the village people. Thus, while improved agricultural practices were more or less widespread, only 57 per cent of the villages covered by the enquiry had resorted to all three of the most important of such practices, *viz.*, use of improved seed, use of manures and fertilizers and improved methods of cultivation. In other items relating to agriculture, such as irrigation, land reclamation, soil conservation and consolidation of holdings, the performance was even less satisfactory — less than 25 per cent of the villages covered having adopted any of these practices.

In the sphere of cottage industries, the performance was exceedingly poor. The production-cum-training centres were a total failure and whatever money has been spent in the community project areas on such schemes may be deemed to have literally gone down the drain. The performance in the sector of institutional programmes, *i.e.*, in respect of schools, co-operatives and panchayats, was also unsatisfactory. While free primary schools had been set up in almost all villages, the same could not be said of co-operatives and panchayats. Even when these latter institutions had been set up, they were on the ground more with "official" backing than as spontaneous expressions of the community spirit. The achievement was particularly poor in the sphere of social education, *i.e.*, in the setting up of youth clubs, women's organisations, community centres and adult literacy centres.

Much more significant, according to Dr. Rao, is the fact that the attitude of the people has not undergone that amount of change which one would be inclined to expect from the numerous publicity literature issued by Government — both at the Centre and in the States. "While there has been considerable increase in rural consciousness of economic and, to a smaller extent, of social needs, the objective of stimulating continuous and positive effort based on self-help for promoting economic or social development has been comparatively unsuccessful. Too much dependence on Government initiative and assistance is still being exhibited by the vast majority of the rural population affected by the programme". Speaking on the wide disparity in the distribution of the achievement and, therefore, of the benefits of community project programmes, the Report points to another interesting aspect of this disparity. There was disparity not merely between different blocks in the project areas, but between villages within the same block. Within the blocks, it existed as between the headquarters villages of the Gram Sevaks, the villages easily accessible to them, and the villages not so easily accessible. Within the villages, it existed as between cultivators and non-cultivators; and within the cultivating classes, it existed as between cultivators of bigger holdings and larger financial resources and those of smaller holdings and lesser financial resources. "This is a matter of serious concern not only in terms of regional and social justice but also in terms of the political consequences that may ensue in the context of the increasing awakening among the people."

The Report does not rest content merely with stating facts. It also analyses the probable causes of the present state of affairs and makes valuable suggestions towards remedying them. The causes, according to the Report, are three-fold in character: administrative, financial and sociological. On the administrative side, it is stated that there is still too much regimentation and too little decentralisation. There is also lack of co-ordination at many levels. Some States (at least the officers of various technical departments in these States) have not yet realised that the Community Projects and N.E.S. agency should be regarded as the permanent and normal field development arm of the State Government in the rural areas. Others have not been able to transmit this knowledge to the staff at the block or village level.

On the financial side, the Report hints that the money allotted for rural development in the second Five-Year Plan is far too inadequate. Although he does not specifically say so, Dr. Rao is evidently of the view with which *The Eastern Economist* is in agreement, that it would have been far better if all the villages were not sought to be covered during the second Plan period: instead, more intensive development should have been attempted in, say, 50 per cent of those proposed to be covered.

There is another important aspect of the financial problem to which Dr. Rao has invited the attention of the Government. The transition from the "intensive" to the "post-intensive" stage

has been too sharp and sudden. The last year of the project period, which was also the year immediately preceding the transformation of a project area into the "post-intensive" pattern, had been a period of great spending. No sooner had great hopes been aroused in the minds of the villagers than came the "post-intensive" period: the latter were told that they could not expect anything special from Government and that they must look to the normal agencies thereof for the necessary financial support. Unfortunately, the "normal agencies" (of State Governments) do not have the funds to provide such support.

It may be argued that Dr. Rao's Report is not representative in character, as it is based on a sample survey. This, however, is not correct. The assessment is based, firstly, on evaluation reports on some 702 villages from 17 evaluation centres covering the entire country, and, secondly, on two special studies conducted by the Programme Evaluation Organisation. Of these two special studies, the first involved a quick survey of a large sample of villages (15 to 20 per cent) in all the project areas — a survey designed (a) to observe the physical accomplishments of the programmes in these villages and (b) to determine their current status. The second study was based on a much smaller number of villages (three in each project area), but involved intensive and qualitative observations on social attitude and behaviour resulting from the programme. The statistical tables appended to the Report (more detailed tables are promised in Part II of the Report still under scrutiny) show conclusively that a very objective analysis has been made by a very competent economist of the social and economic changes which are said to have taken place in rural India and their impact on different sections of the rural population.

This fourth Report of the Programme Evaluation Board should be an eye-opener to all who are interested in the orderly evolution of a socialist pattern of society. There is no doubt whatsoever that the community projects movement is essentially sound, but like many other institutions, programmes and projects which are essentially sound, this movement must be channelled along right lines. If only those in authority would think less in terms of publicity and collecting laurels from foreign visitors and more in terms of giving silent service to the community, the next Evaluation Report may tell a happier and less disquieting story.

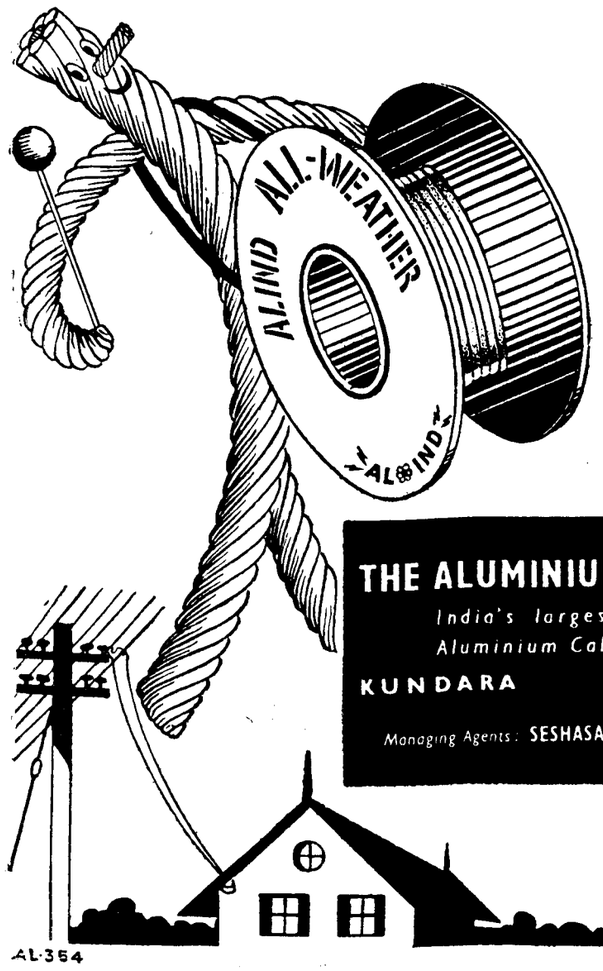
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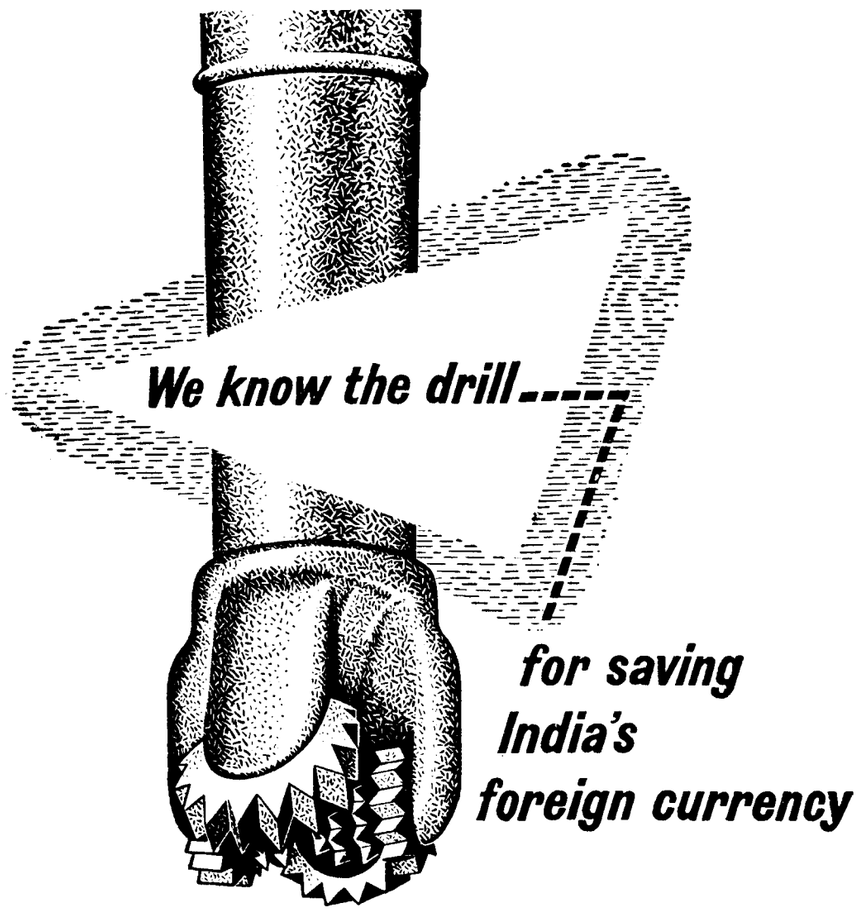
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THE WEEK'S NOTES

BEGINNINGS IN KERALA

THE COMMUNIST MINISTRY in Kerala began its tenure of office last month with some spectacular first measures. It released political prisoners and commuted death sentences; it issued an ordinance unconditionally staying eviction proceedings against all types of occupiers of land and house-sites; and it has recently passed orders more than doubling the emoluments of village officers in the Malabar area of the State. There is a disposition in some quarters to dismiss these first measures of the Communist Government in Kerala as so many stunts. Any such interpretation of at least the last two measures would be wide of the mark, for it ignores their crucial significance in terms of social psychology and in the context of conditions in two other southern States, Andhra and Madras.

The need for staying eviction proceedings has been questioned on the ground that there is protective tenancy legislation already on the statute book. The Communists' answer to this objection is that "there is not one law which 'unconditionally' and 'effectively' bans evictions". They point to the flaws and loopholes in the Malabar Tenancy Amendment Act "which gives protection to only tenants who have been in possession for six years. There are similar flaws in the laws which were enacted for the Travancore-Cochin State". There is a large element of truth in this contention for it has been a sorry experience practically throughout the country that tenant-protection laws have virtually turned out to be tenant-eviction laws. In particular Madras (of which the district of Malabar formed part before the recent States' reorganisation) and Andhra have been the worst sinners in this regard, and there has all along prevailed some very acute agrarian discontent in these two southern States in which the tenant-cultivated sector (accounting for just under 40 per cent of all cultivated lands before 1949) is now only a ghost of its former self. The possible psychological impact of the Kerala ordinance on the rural areas of Madras and Andhra may be inferred.

The generous increase ordered in the emoluments of village headmen, Karnams (accountants) etc., has implications even greater (or graver?) than those of the total ban on all tenant-evictions. The new salaries will be Rs. 20 for the village headman, Rs. 20 for the Karnam and Rs. 15 for the Kolkaran and a dearness allowance of Rs. 25 and a special allowance of Rs. 7 for all. The increased salaries and allowances (which will entail an additional expenditure of Rs. 7.1 lakhs) will be confined to Malabar district where they will henceforward be at the same level as those in Travancore-Cochin. The salary increase is, of course, justified because there cannot possibly be two different scales in the two areas of the new State. As far as Kerala is concerned, the significance of this measure lies in this that it will logically lead to the demand for increases in the emoluments of elementary school teachers and police constables. The Communist Ministry will most likely do the needful and thereby lay a firm foundation for their next electoral victory. As for Andhra and Madras where the emoluments of village officials are about the same as in Malabar (prior to their recent increase), a wave of discontent among those officials is bound to manifest itself sooner or later. If the emoluments of school teachers and police constables also come to be raised in Kerala, the added psychological impact on Andhra and Madras may also be inferred. The Communists mean business, and this means discredit to the Congress Ministries which have so far refused to deal sympathetically with the just prayers of the low-paid but most essential and basic services.

ZONAL COUNCILS

THREE OF the Zonal Councils—the Northern, Eastern and Central—among the five that have been proposed under the States' Reorganisation Act have been set on their career recently. The Councils have been conceived mainly as an antidote to the fissiparous tendencies that began to show their ugly head during the course of the reorganisation of States. The acerbities caused by linguistic rivalries and regional chauvinism led to an apprehension that unless these were checked in time, any talk of the unity of the country will remain a mirage. It was felt, therefore, that the formation of Zonal Councils will serve to attain a certain measure of inter-State co-operation that will gradually outgrow narrow regional loyalties. Perhaps the intention was that these Councils will in course of time pave the way for larger units through the experience gained in co-operative working. How far this hope will materialise remains to be seen but it requires no prophet to say that this consummation is very far off as things stand at present.

The main objectives behind the formation of those Councils seem to be three. One is to arrest the growth of separatism and linguism. Secondly, to deal with border disputes, linguistic minorities and other matters arising out of the reorganisation of States. And lastly, which is by far the most important, to deal with matters of common interest in the field of economic and social planning. Already in the matter of river valley and development projects, there is some kind of 'ad hoc' machinery for purposes of planning and co-ordination. But the Zonal Councils will accelerate the process and embrace wider spheres of inter-State co-operation like road development, pooling of service and technical personnel and development of educational and research institutions that would be complementary in their role. Perhaps the Zonal Councils may also serve a useful role in the settlement of claims and counter-claims by various States in the location of industrial plants. Though they are only advisory bodies, the constitution of the councils is such that their recommendations are bound to be treated with respect by the Centre. But the real snag in this new experiment is how far the States will subordinate their particular interests and reconcile their conflicting viewpoints to bring about inter-State accord. Placed as they are it will be idle to pretend that the Zonal Councils will have a smooth sailing and produce spectacular results. But at the same time it is conceivable that frequent consultations and confabulations among the States may lead in time to some measure of inter-State co-operation.

BURRA DHEMO ENQUIRY

THE REPORT of the Committee appointed by the Government of India to enquire into the Burra Dhemo Colliery disaster reveals a sorry state of affairs in the management of coal mines. The Committee has held the manager responsible for this ghastly tragedy in which 28 miners lost their lives. According to the Committee the main cause of the accident was the presence of a huge quantity of water on surface and subsidence causing sudden flooding of the mines. The subsidence is ascribed to the existence of a great bulk of water on surface for a considerable time; weakness of the strata in the outcrop regions of the mine where the cover was thin; and presence of a geological disturbance in the from of a squeeze in the strata.

The manager's fault is that he ignored the danger signal when a large number of mines got flooded. Had he acted in the same way as the other managers had done by withdrawing their men, the tragedy would not have taken place. The main mistake of the manage-

ment lies in not obtaining any record of the previous history of the mine which had changed hands several times. The worst aspect was the delay in starting the dewatering operation. It was extremely callous that both the mining authorities and those in charge of rescue operations should have gone about on the assumption that none could be alive. If the pumping operations had started earlier, the 11 survivors who were trapped inside the mine under the most dreary circumstances could have been brought out earlier.

It is strange that the Inquiry Committee has given a clean bill of health to the Inspectorate of Mines. The question arises, why did not the Mine Inspectorate force the management in time to strengthen the stock of its pumps. It surely was the duty of the Inspectorate to warn the managers of changes in the conditions of topography and underground working and to supply the necessary equipment for dewatering the mine. It is to be hoped that this will not be repeated again. The Enquiry Committee has recommended that the mines rescue stations should have suitable equipment for dewatering a mine. Another important recommendation is that mines which have a similar topography and shallow workings should be examined with a view to the improvement of all safety precautions. The recommendations need to be implemented at the earliest not only because of the big increase in coal production envisaged under the second Plan but also because of the fact that hazardous operations are involved in mining.

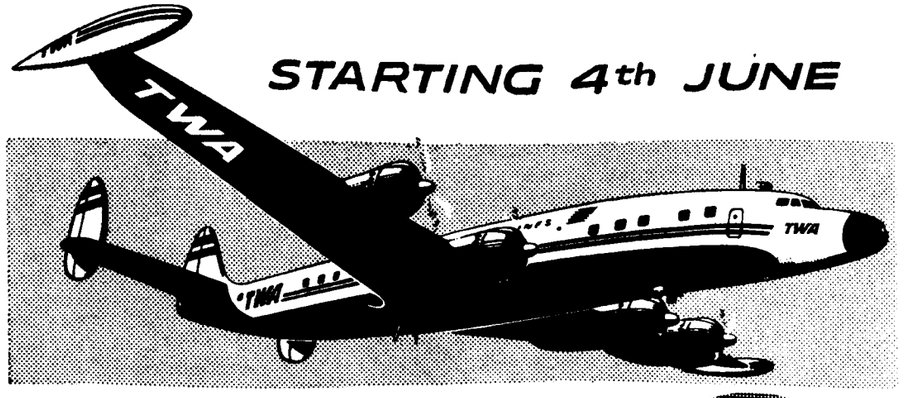
TOWARDS SETTLEMENT

THE NEW Egyptian statement of policy on the administration of the Suez Canal is fair and reasonable. It promises the Canal users efficient and economical administration of the Canal and its development in accordance with the needs of modern shipping. The statement announces that any dispute over the Canal Code would be submitted to an arbitration tribunal composed of one nominee of the complainant, one of the Egyptian Suez Canal Authority, and one chosen by mutual agreement between them.

Under the Egyptian scheme the tolls will have to be paid in advance to the Suez Canal Authority. The declaration promises, however, that the tolls will be charged in accordance with the last agreement (of April 29, 1936) between the Egyptian Government and the former Suez Canal Company. Increase in tolls would not in any case be more than one per cent in 12 months except through negotiations; and, failing agreement, will be settled by arbitration. Egypt has also promised to set aside 25 per cent of the tolls for development of the Canal and 5 per cent in royalties for the Egyptian Government.

Though Egypt has given every reasonable assurance and offered every reasonable safeguard to ensure that the rights of the Canal users do not suffer, Britain and France, the two principal users, continue to be critical of her plan. They have described it as 'vague and nebulous'. But their objections seem to be puerile — perhaps because they are prompted by irrational fear and are based on unfounded suspicion. Egypt cannot, surely, within reason, be expected to go further than she has in her concessions to them. What the users now are entitled to ask for is the right of innocent passage for ships of all nations — which means settlement of the question whether Egypt has the right to discriminate against Israeli ships. The exercise of this belligerent right by Egypt is uncalled for now that Israel has unconditionally withdrawn from the Gaza strip and the Gulf of Aqaba. In any case, Egypt should have no hesitation in referring this matter to the International Court of Justice.

Meanwhile, the United States has done well in deciding to give the Egyptian plan a "trial", even though under "protest". Instead of quibbling about the nature and character of the Egyptian declaration, Britain and France would do well to follow the American lead. After all, the success of the plan will depend on co-operation and the manner in which it is executed.



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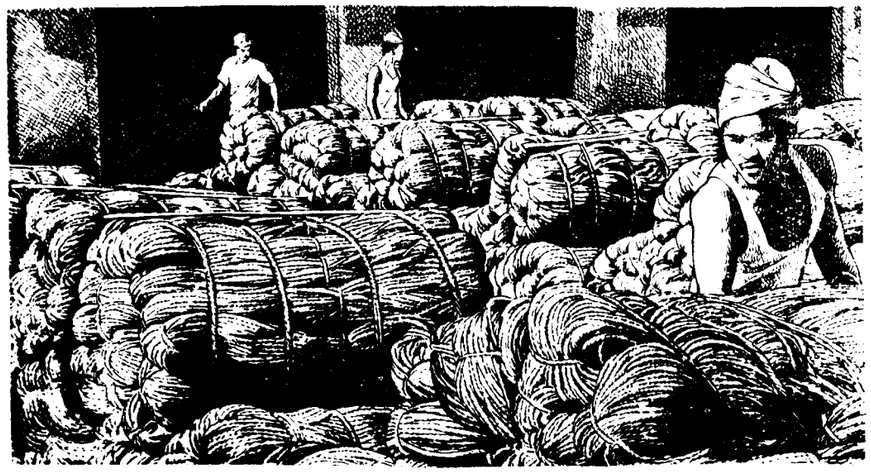
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THE ITALIAN LEFT

(From Our Special West European Correspondent)

PARIS, April 26.

LAST November's violence in Hungary and the Middle East caused in West Europe a series of political convulsions nowhere more severely felt than in the ranks of the Left, from the Communists to the social democrats. The butchery in Budapest totally isolated the Communists, paralysed their militant membership, lost them much of their fellow-travelling support and alienated all their left-socialist allies of the Nenni type in Italy. At the same time the Egyptian war rent the socialist international, whose two main constituents, the French and British socialist parties, found themselves bitterly opposed. Moreover, the worsening of the Algerian repression conducted by the socialist Robert Lacoste further disheartened and divided the non-Communist Left, as well as producing serious cracks in the Leftish liberal parties of the Mendes-France type. From all this confusion and disgust it was hoped that a new European Left might emerge; the mass support seemed to be ready and waiting, requiring only a new leadership that would disown both the neo-Stalinism of Khruschev, Togliatti and Thorez, and the Rightist pseudo-socialism of Mollet and Saragat. For those that held such a hope, it was plain that the first test would be in the reorganisation of the Italian Left.

The Italian Left was important because it contained all the colours of the socialist prism, from the biggest Communist Party outside the Iron Curtain, through the fellow-travelling Nenni socialists, to the Atlantic Fact socialists led by Saragat who now form part of a coalition government with the Christians and Liberals. A reorganisation and reunification of this vast Leftist movement would have immediate and extensive consequences. It would produce the downfall of a European Government, for the coalition in office in Rome depends for its existence on the co-operation of the Saragat socialists. It would heal a long-standing and painful division in the socialist international caused by the Nenni-Saragat split, which has had the embarrassing result that the international recognises as its Italian member not the larger Nenni Party but the much smaller Saragat Party. Further, it would strike a major blow at Communism in the West, for Togliatti's Party and person are Moscow's strongest representatives outside the Soviet glacis. A new and stronger Left in Italy could serve as the signal for a reorganisation of all the "progressive" forces in West Europe.

For a time, a realignment of the Italian Left seemed not only possible but imminent. The Italian Communist Party was sorely hit first by the Khruschev report and then by events in Hungary, so much so that even Togliatti himself wavered and spoke, in a reckless moment, of an Italian "national" Communism. The Nenni socialists suspended their working agreement with the Communists and appeared to be ready at their Venice conference to consummate the break entirely. Nenni opened parleys with Saragat for a reunification of their forces, and several of Saragat's lieutenants openly favoured quitting the coalition government in order to facilitate the renewed alliance of the non-Communist Left. No wonder then that socialist leaders from the rest of Europe suddenly began taking their holidays in Italy, hoping to influence the reorganisation of forces that seemed to have begun. Messrs Aneurin Bevan and Morgan Phillips went to Venice for the meeting of the Nenni clan, and Bevan made an excursion to Rome to meet Saragat; from Paris, Pierre Commin, the secretary of the French socialist party, and Thorez, the unregenerate Stalinist boss, went south for talks with their colleagues; and last week Hugh Gaitskell took a Roman holiday over Easter as the guest of Saragat but taking time off to meet Nenni.

To date, from all these meetings and discussions nothing substantial has resulted. Paradoxically, the reunification that seemed imminent in the autumn has not transpired but has produced a further fragmentation in the spring. Far from coalescing, the three main tendencies in Italian Left politics, represented by Togliatti, Nenni and Saragat, have split into at least six tendencies, each party producing a new internal Left and Right. The most important part of the operation, the reconciliation of the Nenni and Saragat clans, has not been effected. Nenni himself has broken with the Communists but his own rank and file will not permit him to isolate his party sufficiently from the Communists to facilitate the socialist reunion. On the other hand, Saragat is not willing to break with the Right-wing government coalition until Nenni's party has completed the divorce. The benevolent intervention of the British Labourites has so far had only unhappy results, Aneurin Bevan in particular incurring charges from many quarters of discourtesy, interference and abuse of hospitality; the more suave Hugh Gaitskell had very thin ice to skate on when he repeated the attempt at mediation last week.

The divisions of the Italian Left have always seemed confusing to outsiders who do not follow the intricate meanderings of Italian politics, and the further fragmentation of Leftist forces referred to above is designed to increase this confusion to discouraging proportions. But I suggest that there is an evident pattern in these reshufflings, which is all the more interesting because it is not confined to Italy but is reproduced in several other European countries. This common feature is the revolt of the rank and file against its own leadership, a revolt that in most cases does not go to the extent of a shift of political allegiance but is limited to disaffection, sulking and political disinterest. Aware of their isolation from their mass support, the recognised political leaders are restricted in their movements and are unable to carry through the reorganisation of the Left that events demand.

This is quite obvious in the case of the Italian Communist Party. Togliatti's iron grip over the party machine appears, but only appears, to have been restored. The recent party conference was carefully stage-managed under the eyes of an imposing delegation from Moscow, but even then could not smother dramatic denunciations of Soviet policy in Hungary. Defections from the party continue, and involve eminent and long-faithful revolutionaries. Since I began to write this despatch I have received a startling pamphlet by a leading Communist deputy, Antonio Giolitti, called "Riforme e Rivoluzione" which ferociously attacks Togliatti's leadership and his total subservience to Moscow. Maybe by the time this appears in print, Signor Giolitti will have been expelled from the party (as has happened with those French Communists who have published identical protests against the Thorez clique) but that will not have destroyed the powerful rebellion within the party.

At the other extreme of the socialist spectrum, Saragat is in no better position. He had to accept a

few days ago the resignation of his party's secretary, Matteo Matteoti, who had violently urged quitting the coalition government and going at least half way to meeting the Nenni faction's terms for a reconciliation. Getting rid of Matteoti settles nothing, for it is certain that the same thesis will be presented at the Saragat party's congress in June and it is quite probable that thereupon there will be a split. Saragat in fact finds himself in a position very similar to Mollet in France, holding on to an alliance with the extreme Right in order to stay in office, while the mass of his party drifts Leftward and loses all contact with its supposed leadership.

Nenni is in no better case. His party is being wooed from both sides; that is nothing new, but what is new is that the leadership and the mass of the party want to move in different directions. Nenni found himself faced with rebellion in Venice when he sought to hasten the reconciliation with Saragat by completing the break with the Communists, and to this day he cannot break free of his old Stalinist allies because the rank and file of his party is refusing to sever connections with the Communists in the trade unions. It is not at all that the ordinary Nenni socialists want to go on co-operating with Togliatti and all he stands for—Russian tanks in Budapest and the rest. It is precisely because the Nenni socialists at the lower levels (and especially in the trade unions) know that the Communist movement is split and is out of sympathy with its leadership that they want to maintain contact with their Communist fellow-workers. They see in that a better hope of Leftist reunification than in any theatrical reunion between socialist politicians who have lost their following, like Saragat and Nenni.

So the European Left today, and not only the Italian Left, presents the spectacle of many generals without armies. Some of these lonely generals must feel a measure of sympathy with Kadar, the Hungarian "people's leader" who can probably count the people he leads on his fingers and toes. In France, Guy Mollet cannot reasonably be compared with Kadar but there must be precious few French socialists who would be willing to swear that Mollet and Lacoste are implementing a specifically socialist or Left policy. Were it not for Bevan's political flair, Hugh Gaitskell would possibly be in the same situation in Britain today. The fading of hopes for a reunion of the Italian Left demonstrates that these leaders without a following are incapable of carrying through the reorganisation of "progressive" forces that the majority of the working class demands. But the West European working classes are so thoroughly "politicalised", boss-led and unused to democratic action that it is unlikely that they will be able to put through the reorganisation they hope for, against the will of the leaders in whom they have lost confidence.



WORLDGRAM

AGRICULTURE

Grow More Food Programme for Madras: A total amount of Rs. 81.46 lakhs has been provided for the Grow More Food schemes for Madras State for the year 1957-58. Of this, Central aid in the form of loan and grant amounts to Rs. 68.60 lakhs, and the State Government will contribute Rs. 9.64 lakhs. The balance of Rs. 3.22 lakhs will be available to the State Government from the Centre when it submits new minor irrigation schemes. In addition, the Centre has agreed to give a short-term loan of Rs. 330.75 lakhs for purchase and distribution of 1.05 lakh tons of a fertilizer in the State. It is anticipated that, as a result of these schemes, there will be additional food production to the extent of 1,53,968 tons. The overall target for the current year is 3,20,235 tons of additional food grains, including 25,058 tons from major irrigation schemes, for Madras State.

*

Measures to Develop Sheep and Wool Production: For development of sheep and wool production in India, 396 extension centres will have been set up by March 31, 1959, at a total cost of Rs. 150 lakhs. The object is to improve sheep breeding and utilisation of wool, and conduct research on cross-breeding and selective breeding with a view to upgrading local sheep with the higher species. Already 24 such centres have been established—8 each in Uttar Pradesh and Punjab and 4 each in Bombay and Andhra Pradesh in 1956-57. During the year 1957-58, 166 additional centres will be established—39 in Rajasthan, 25 each in U.P. and Bombay, 16 each in Punjab, Mysore and Jammu and Kashmir, 14 in Madhya Pradesh, 8 in Madras and 7 in Andhra Pradesh. It is also planned to establish in 1957-58, 3 wool utilisation centres—one each in Uttar Pradesh, Bombay and Rajasthan. A similar number of sheep breeding farms will be set up in Bombay, Himachal Pradesh and Madhya Pradesh, each farm having a wool analysis laboratory as well. The Government of India have sanctioned a total grant of Rs. 10 lakhs and Rs. 4 lakhs as loan to States for 1957-58 for this purpose.

INDUSTRY

Specification for Caustic Soda Technical: The Indian Standards Institution has issued, for eliciting comments, draft amendment No. 2 to the specification for caustic soda, technical (IS: 252-1950). The draft amendment modifies the requirements of caustic soda, technical, so as to bring the specification in line with the quality of the product manufactured in the country. Comments on the draft amendment may be sent before July 10, 1957 to the Indian Standards Institution, 19, University Road, Delhi-8.

*

Draft Standard for Suji: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for semolina which is commonly known as Suji or Rava. Requirements, both physical and chemical are specified in this draft standard. These requirements are for particle size, microscopic appearance, moisture, total ash, acid insoluble ash, fat, acidity, etc. This draft standard has been prepared by ISI's Edible Starches, Confectionary and Cereal Products Sectional Committee. The Committee has taken into consideration the data on the composition of 'Suji' as manufactured from different varieties of wheat produced in the country and imported from abroad. Due weight has also been given to the relevant rules issued by the Government of India under the Prevention of Food Adulteration Act, 1954. Comments on the draft standard may be sent before June 13, 1957 to the Indian Standards Institution, 19, University Road, Delhi-8.

*

China Clay for Rubber Industry: The Indian Standards Institution has issued, for eliciting comments, a draft Indian standard specification for China clay for rubber industry. This draft standard prescribes the requirements for China clay used in rubber industry as a reinforcing material, and as a filler divided into two grades. The material for the former use has been designated as Grade 1 and that for the latter use as Grade 2. Comments on the draft may be sent before July 10, 1957 to the Indian Standards Institution, 19, University Road, Delhi-8.

TRADE

New Trading Corporations in Burma: The Government of the Union of Burma has announced the forthcoming establishment of five joint-venture trading corporations, in which private enterprises and persons will be allowed to purchase shares up to a maximum of K. 10,000 (K.1 = US $0.21). Each corporation will have a share capital of K. 5 million, of which the Government will subscribe K. 2.6 million and the public K. 2.4 million, each share having a par value of K. 100. These firms will import and distribute industrial raw materials; machinery and equipment; such consumer goods as textiles, foodstuffs, and general hardware, including building materials; and tires and tubes.

*

French Trade in 1956: France's deficit in its trade with countries outside the Franc area rose from the equivalent US $248 million in 1955 to US $1,101 million in 1956. Imports (c.i.f.) increased by 21 per cent, to $4,326 milion, while exports (f.o.b.) declined by 6 per cent, to $3,145 million. These figures include trade in industrial gold, which was small in 1956. Also, the trade figures for 1955 are not exactly comparable with those for 1956 because of a change in the period of coverage, which had the effect of lengthening the 1955 period covered by 3 per cent for exports and by 1 per cent for imports.

FINANCE

Purchases from the IMF by Egypt and India: The Government of Egypt has purchased from the International Monetary Fund US $15 million with Egyptian pounds. This is the second Egyptian transaction with the Fund in recent months. Last September, Egypt purchased Canadian dollars equivalent to US $15 million. The Government of India has entered into an exchange transaction and stand-by arrangement with the International Monetary Fund in a total amount of $200 million. The transaction provides for the purchase of $127.5 million from the Fund with Indian rupees. The Fund will transfer $60 million of this amount immediately and $67.5 million after 30 days. A stand-by arrangement which will become effective on the date of the second transfer, will permit India to purchase from the Fund during the following 12 months currencies equivalent to an additional $72.5 million. India purchased a total of $99,980,000 from the Fund in 1948 and 1949, and has since made repurchases which restored the original position. The recent arrangements permit each country to draw up to 50 per cent of its Fund quota.

*

Personal Income Record in US: Personal income in March rose to a record annual rate of $337,500 million, the US Commerce Department reports. The rate level was $1,000 million over the preceding month. Personal income—a major indicator of the economy—includes wages and salaries, and net income of proprietorships,

as well as dividends and interest, net rents received by landlords, and other types of individual income.

*

Financial Assistance to Educational Institutions: A further sum of Rs. 12.50 lakhs was sanctioned by the Central Ministry of Rehabilitation last month as grant-in-aid to educational institutions, catering to the needs of displaced students from West Pakistan, for construction of buildings and purchase of equipment. A sum of about Rs. 37,00,000 was allotted during the last financial year to disrupted as well as non-disrupted educational institutions. This allotment was in addition to the allocations of Rs. 95,00,000 made up to the end of 1955-56. The Central Ministry of Rehabilitation has made a provision of Rs. 3.74 crores in the second Plan for expenditure on the education of displaced students from West Pakistan. Under the educational schemes of the Ministry, displaced students are helped in the prosecution of their studies through financial assistance in the shape of exemption from tuition fees, grants for purchase of books and stipends.

*

10-Year Treasury Savings Deposit Certificates: The Government of India have decided to allow the holders of 10-year Treasury Savings Deposit Certificates to pledge them with scheduled banks and co-operative banks and societies for the purpose of securing advance against them. At present, these certificates can be transferred for the purpose of being deposited as security only to a Gazetted Government Officer, an executive officer or local authority defined in the General Clauses Act, 1897 in his official capacity or the Reserve Bank of India. Details of procedure to be followed in this regard may be had from the Government treasuries and the Public Debt offices of the Reserve Bank of India.

*

Special Rebate on Handloom Cloth Sales: A special rebate of three Naye Paise per rupee will be granted on all the retail sales of handloom cloth during the Fourth All-India Handloom Week to be celebrated throughout the country from May 5 to May 11, 1957. This special rebate will be in addition to the rebate now being granted at the rate of 12 Naye Paise per rupee in Bombay State and nine Naye Paise per rupee in all other States. Also during the week a special rebate of nine Naye Paise will be granted on such sales where the present rate of rebate is six Naye Paise only.

GENERAL

Industrial Disputes and Relations in India: There was decreased time-loss due to industrial disputes during the month of February 1957, as compared to the previous month, according to Labour Bureau, Government of India. The total time-loss during the month was 205,196 man-days as against 390,852 recorded during the previous month. The time-loss during February 1957 was also lower than the monthly average time-loss of 592,437 during 1956 by about 65.4 per cent. The number of fresh disputes arising during February 1957 was 74 and these involved 35,540 workers. The corresponding figures during the previous month were 119 and 115,059 respectively.

*

American Lend Lease Silver Being Returned: During the war the United States Government lent/leased 226 million fine ounces of silver to the Government of India to be returned five years after the duration of the emergency. The liability for the return of this silver was divided between India and Pakistan, India's share being approximately 172 million ounces. For the return of this silver, the following arrangements have been agreed to between the Government of India and the U.S. Government. The Government of India will make immediate arrangements for the shipment of approximately 50 million fine oz. of silver of the requisite fineness in the form of bars to the U.S. Government. The balance of the silver amounting to approximately 122 million fine oz. will be made available in the form of quarternary alloy coins to the Government of the United States of America through the American Embassy in New Delhi. The alloy silver will be taken over by the U.S. Government through their Embassy in New Delhi and all cost of handling, transportation and refining will be on the account of the U.S. Government. The U.S. Government will retain all the metals recovered in the refining process.

*

Research Programme for the Plan: The Research Programme Committee of the Planning Commission has now finalised the main lines of research to be sponsored in the fields of Politics and Public Administration. The following three broad categories of subjects have been chosen by the Committee.

1. Machinery for Planning and Implementation.
2. Working of Village Agencies with special reference to Public Co-operation.
3. Problems of Public Administration and Parliamentary control of Public enterprise.

According to its usual procedure the Committee will receive and examine research schemes on subjects coming under any one of the above categories. This is in addition to the following subjects in Economics and Sociology which have been earlier chosen by the Committee viz. analytical studies of macro-economic aspects of Indian Economy, studies in decentralisation and industrial dispersal including problems of planning regional development, resources of development and problems of social dynamics such as those relating to cultural change in rural and tribal life, changes in family structure and studies in social hierarchy and leadership.

*

Oil Production in the Middle East: Crude oil production in the principal Middle East countries during the first three quarters of 1956 was 21.2 million tons greater than in the first three quarters of 1955. The increase was due mainly to a sharp rise in Saudi Arabian and Iranian production:

	Jan-Sept. 1955	Jan.-Sept. 1956
	(In millions of metric tons)	
Kuwait	41.09	44.48
Saudi Arabia	34.46	42.46
Iraq	24.60	26.30
Iran	11.39	19.10
Qatar	4.03	4.45
TOTAL	115.57	136.79

After the outbreak of hostilities and the closing of the Suez Canal, however, production was cut back sharply. In Saudi Arabia, crude oil production during November totalled only 21.6 million barrels, compared with 31.2 million in November, 1955. Production in Iraq fell from 3.1 million tons in October, 1956 to only 729,000 tons in November. In Iran, production in the entire year 1956 amounted to 25.9 million tons, of which 11 million tons were refined; comparable figures for 1955 were 15.7 million tons and 7.2 million tons, respectively. The total 1956 production in Iran exceeded the amount agreed to in the original oil agreement by 2.9 million tons; it is estimated that without the Suez crisis it would have reached 27 million tons. On a daily basis, Iranian output in November and December was 8,000 barrels less than in September.

NEWS IN BRIEF

INDIAN

India has constituted a special rupee account to be utilised for purchasing cotton and cement from Egypt.

*

The Government of India has decided to allow re-export of imported cotton piecegoods, according to export control trade notice issued recently by the Joint Chief Controller of Exports, Bombay.

*

It is reported the Government of India will continue to issue wheat at the rate of 15,000 tons a month each to the State Governments of Uttar Pradesh and Bihar to meet the needs of fair price shops.

*

Twenty small industrial estates are to be set up at Community Development Block Headquarters. State Governments have been asked to select the location of these estates in consultation with the Ministry of Commerce and Industry, the Joint Development Commissioners for Small-Scale Industries for the Regions and the Directors of Industries for the States.

*

The Employees' State Insurance Corporation which met on April 25, considered the capitation fee payable to panel doctors for the insured person and his family, and the arrangements for sharing the cost of medical care with the State Governments on inclusion of families.

*

The Indian Standards Institution has published an Indian standard code of practice for the use of structural steel in general building construction.

*

It is reported quarternary alloy coins of the value of one rupee, half a rupee and quarter rupee of the King George VI issue will form part of the return of lend-lease silver by India to the United States Government.

*

A total sum of Rs. 279.83 lakhs has been provided for the Grow More Food schemes of Uttar Pradesh for the year 1957-58.

*

The estimated total output of iron ore in India increased to 365,168 tons in February 1957 from 354,405 tons in January, 1957, according to official statistics released by the Chief Inspector of Mines.

*

Shri K. C. Reddy, Union Minister of Works, Housing and Supply, has disclosed that the Government of India had decided to continue to operate the Hindustan Housing Factory.

*

For the Manufacturing Industry group the index of industrial relations (base 1939=100) for the month of February, 1957 was 652.8 as compared to 386.0 (revised) for the previous month and 93.6 for the corresponding month of the previous year.

*

According to the lists received from Pakistan in pursuance of the Indo-Pakistan Movable Property Agreement, India will receive a sum of Rs. 16 lakhs from Pakistan on account of sale proceeds of movable property of displaced persons.

FOREIGN

Foreign Governments last year paid $700 million (about £250 million) of the debts to the United States Government. Britain paid the biggest sum—$118 million (over £42 million), including $58 million on early post-war credits and $48 million in lend-lease silver returned on an ounce-for-ounce basis.

*

The Bank of Finland has placed a ceiling on rediscounting by the financial institutions with effect from August 1. The limit is equal to double the amount of the bank's own funds plus the credit balance in its cheque account with the Central Bank.

*

World wheat production for 1956-57 is likely to be about 121 million metric tons, some two million tons below production for 1955-56, according to the latest reports received from abroad. The figures do not include production in Eastern Europe, the Soviet Union and China.

*

The value of West German permits issued between 1952 and the end of 1956 for private investments abroad totalled a little over DM1.3 billion.

*

New Zealand had a surplus of £0.8 million in overseas transactions during the year ended March 31. This compared with a deficit of £16.5 million last time.

*

South Africa's gold and foreign assets in the week ended April 12 totalled £131,880,000 a week earlier. The latest total comprised £83,222,000 in gold coin and bullion, £37,025,000 in foreign bills, £6,687,000 in foreign securities and £4,596,000 in other foreign assets.

*

Soviet oil production this year is expected to be 97 million tons with more than 70 per cent of it coming from the newly developed area between the River Volga and the Ural Mountains.

*

Western Europe's share in the world's steel production is growing, states the High Authority of Coal and Steel Pool in its fifth annual report to the Common Assembly.

*

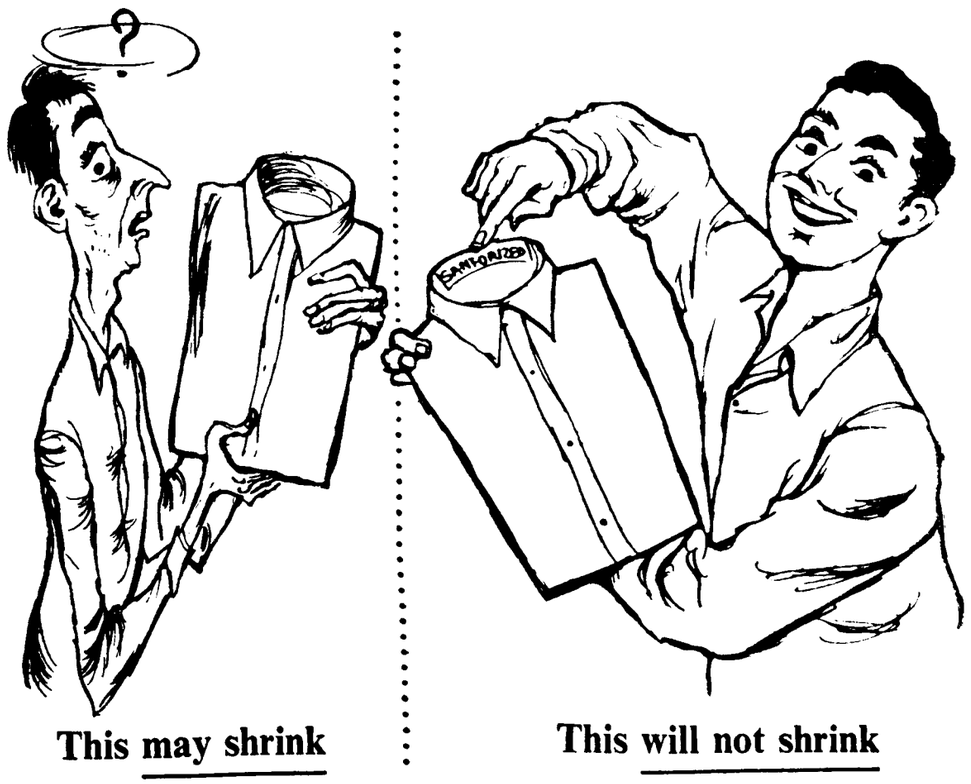
Direct investment in Australian companies by overseas interests during 1955-56 at £A103 million showed a 20 per cent increase on the 1954-55 figures (£A86 million).

*

According to proposals published by the Commission of Inquiry into income-tax in East Africa, companies would pay more income-tax and individuals less.

*

Canada's official holdings of gold and U.S. dollars increased by $3.9 million in March to $1,923.6 million. This was an increase of $52.2 million on the $1,871.4 million reported in March last year, according to the Bank of Canada.



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Special Articles

CO-OPERATIVE MOVEMENT IN BIHAR

By RAMAN K. DESAI

K. G. SIVASWAMY, a member of the Servants of India Society, passed away in January last after he had completed yet another valuable service in the Plantation Enquiry Committee. His survey of the co-operative movement in Bihar was undertaken in the early months of 1954; the report published last year is unofficial but considerable assistance seems to have been received from various sources. The second volume containing statistics would be looked forward to with interest. The Delhi School of Economics which sponsored the survey deserves credit for this piece of field research.

The principal fact about rural India is the unbalanced economy in which, in a rural population of 30 crores, four out of every five self-supporting persons derive their income from agriculture. Among cultivators, the largest sector consists of small cultivators with small plots of land, subsisting on the margin of starvation. The agriculturist avails himself of credit mainly from moneylenders and relatives. He sells his produce in the village, rather than in a market town, because he cannot afford to wait and there are no facilities for storage. In these two vital aspects of his business, credit for the purchase of raw materials on the one hand and economics of storage, processing and marketing on the other, he is dependant on the trader, the miller and the moneylender. For the last 50 years, administrators and social reformers have hoped that the tyrannical burden of the trader and the moneylender will be replaced by the methods of self-help and mutual benefit enshrined in the Co-operative Movement.

The Movement itself is the result of a philosophy which was put into practice by Robert Owen and his followers in the middle of the nineteenth century. The basis of co-operation was the assumption that competition and profit motive were inimical to social progress. A new society was envisaged in which with the help of sound education, human nature could be transformed, and in the field of economic enterprise, this Movement would assist change in character, by abolishing this motive. The mutual aid and common holdings eliminated interference from the State, because it was feared that partnership with the State would evolve a regimented society, as opposed to unfettered society where men would develop gradually into higher citizens. It was also felt that "for the government to subsidise and spoonfeed co-operative societies means usually the kiss of death."

In India for the last 10 years Government have assisted this Movement in a signal manner. At the same time, Government have enacted that the inhibitions of laws relating to companies, partnerships, and banking companies would not prevail in the case of Co-operative Societies, which were regarded as 'sui generis'. The public when they realised that the Movement was not progressing well, blamed the British Government on the ground that the officials did not permit public participation. Strangely enough, after independence, the Government have inclined to take the view that in the absence of education and civic consciousness among the people, this defect of the British should be further accentuated in the shape of a vast official control over the Movement. Side by side, it may be noted that during the last four decades, commercial bankers and insurance companies, without Government assistance, in fact often in the face of foreign competition, public prejudice, and Government neglect, have enabled the build-up of vast industrial organisations in India, with marked integrity. If, therefore, the agriculturist is not benefited to the same extent as an industrialist, in spite of Government's strong support of this Movement, some fundamental questions regarding the validity of the premiss which relates to the quality of the Movement, and its organisation must be raised.

There are two aspects of the Movement which must be examined. Firstly, the extent to which the element of self-help, arising out of a gradual awakening of civic consciousness, has progressed, and secondly whether the Movement has led to any appreciable betterment of the lot of the beneficiaries, in fact if it has served its purpose. With regard to the first item, it can be stated that far from any awakening, there has been a growing reliance on government agencies, not merely in terms of finance but even in the matter of management, thus vitiating the avowed purpose of transforming the acquisitive character of human nature.

After so many decades of solid support from all sides, it has been found that without active government participation and control, for an indefinite period, the Movement must fail. Instead of self-help, the Movement has become one wing of the agencies mobilised by government for the purpose of fulfilling a series in a planned economy. No other agencies such as obtained in other countries, nor the banks which have proved valuable in other fields have been approved as substitutes for this moribund institution. The Reserve Bank of India, which has played a considerable part in the guidance of opinion on the subject, is inclined to the view that multi-purpose co-operative societies at all levels would be adequate for an integrated economy in the rural area.

The recent survey report under the auspices of the Reserve Bank has formulated a scheme by which the commercial banks, the Reserve Bank, the State Bank and the co-operative societies at the higher level, along with some States banks, would be co-ordinated into a powerful drive to supply rural credit. At the same time, a plan has been formulated for storage and warehousing. More than that, the suggestion has been made that except at primary stages, at higher levels, there should be a very active organisation, in fact a partnership between the State and the Movement in which the State would be the dominant partner in financing, in supervision and in management. The survey report aims to pump State credit and State management into this movement, a movement which the Survey itself condemns as a piece of failure.

On the second aspect, the Survey under review throws considerable light. The recent survey of the Reserve Bank relied on a vast and diffused survey of villages in India. But we have before us a Report on a select area by a competent and sympathetic observer. The author subscribes to the view, along with the Reserve Bank, that there is no alternative to the Co-operative Movement and actually the facts that he has found are all the more damning in their import. Apart from the general inadequacy in the scope and action of the Movement in relation to rural economy. Bihar suffers from a gross mismanagement at all levels of the Co-operative Movement. The State Co-operative Bank started in 1914, earned in 1949 a strange comment from an observer: "The Provincial Bank had not the will or

the staff to satisfy itself about the security of a loan sanctioned by it and the directors generally busied themselves in canvassing favours from the departmental heads at such meetings." The Co-operative Department has very wide powers, of policing, judicial powers of a Civil Court and authority to surcharge members of management. The Registrar is the Head of this Department. He sanctions loans made by bankers, he arbitrates disputes for which he holds a monopoly, believe it or not, even against the Civil Court. He appoints personnel and transfers or discharges them. Obviously, this Grand Moghul must be a super-man. The Maclagan Committee recommended that the Registrar should have intimate knowledge of rural life and economics, knowledge of law, banking and trade. Obviously, now that the Movement is no longer confined to a few citizens combining in a voluntary organisation, it is a State-organised activity for mobilising the people, and the Registrar's qualifications must be that of the super-man. But no heed has ever been paid to the necessity of employing qualified men. The Hubback Committee in 1932 recommended that the managing director of the State Co-operative Bank should be a business man or a trained banker, not to be appointed by Government. Such advice has been consistently ignored. But we can hardly blame Bihar when now the belief that any administrative officer in any secretariat can run anything, technical concerns, plants, even banking business, is the accepted dogma of bureaucracy.

The State Co-operative Bank is a mercantile firm rather than a bank. Its substantial business is trade and only a small part banking. It commenced business in fertilizers in 1945, sale of cloth in 1949, iron in 1950, coal and textbooks in 1951. Central Banks undertake all kinds of business in addition to commodities, such as loans to business men, investment in transport, contract for sawai grass and bamboos. Naturally, the banks lost heavily when cloth and commodities generally were decontrolled. To recoup the losses they have dabbled all the more in the supply of commodities. In 1951, the Reserve Bank warned Bihar against trade activities by the State Co-operative Bank and the recent Survey Report against emphasises the necessity of separating trade and banking functions in such banks. Yet in 1952, the State Bank lent to societies Rs. 25 lakhs only, but the sale of cloth amounted to Rs. 146 lakhs, fertilizers Rs. 59 lakhs, oilcakes Rs. 13 lakhs. As was expected, corruption rapidly seeped in; some Central Banks sub-let cloth licenses to private dealers, profits mainly going to the traders, "favouritism became rampant in fixing the dealers for sale, bank clerks were responsible for credit sales to individuals whose names and addresses could not be traced". In the name of development programme, huge sums have been wasted.

What about audit? The present method about audit dates from the time when co-operatives were merely mutual teams of agriculturists and if the audit staff worked under the Registrar, there seemed to be no particular harm. But now when the Registrar is the head of an almighty department, it is strange that he can smother audit through a staff dependent upon him. There is objection, and no wonder, to audit even by the Reserve Bank. The Grand Moghul is monarch absolute. A delightful phrase has been invented by Bihar for presentation to the Dictionary of Banking, a "Bullock Loan". Loans can be taken for the purchase of a single bullock returnable in 3 years and for 2 bullocks returnable in 5 years. The author writes — "if only all the members against whom such loans stood really purchased bullocks, there should be too many unwanted bullocks in villages". May I suggest "Bullock Loan" as a synonym for bogus loans?

Knowing all this, the State and the Reserve Bank and in their ignorance, the public, have been doped with the slogan, "co-operation has failed but co-operation must succeed". Vast sums of money continue to be poured without even an enquiry into the purpose and the management. A colleague of mine joined the State Bank as Managing Director on a Monday morning, resigned on Thursday and left for Calcutta on Saturday: those of us who thought him hasty learnt to appreciate his courage when we knew the facts. And yet even in this book an idea is mooted whether the decision of a majority of members of primary societies should be enforced on the whole village including non-members. In support of this idea, legislation in those enlightened and democratic countries, Bulgaria, Rumania and Yugoslavia is cited; this is the best possible way by which people may be acclimatised to the practices of a Communist Party Dictatorship, elimination of other opinions and parties.

If this were a report on Company management or private enterprise, there would have been a howl of rage in the Press and the Legislature. On the contrary, neither the administration nor the public seem to be worried about these findings and yet if this be the standard set by public institutions, people like myself must wonder whether we were not unduly severe on bank directors in the past. Those who are not blindly prejudiced in favour of co-operation as the one sovereign remedy for rural poverty, must question the validity of the fundamental assumption on which the Movement rests. If organisation, or methods or indeed our national character suffer from inherent defects, those must first be remedied before an experiment based on slogans can be thrust upon the country. With what face we shall celebrate the Centenary of the death of Robert Owen next year, I do not know. We must recognise that there are no absolutes and no eternal verities in economics and pragmatic methods must be the safest guide at our present state of progress. In Communist Poland, Gomulka in a recent defence of private enterprise, has already started talking of parasitical capitalism as distinguished from productive capitalism. Such is the revenge of the science of economics on charlatans, a lesson we may not ignore.

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BUSINESS NOTES

EXPANSION OF BANK CREDIT

MR. S. P. JAIN has discussed two important issues relating to the expansion of credit facilities through banks in his presidential speech at this year's annual meeting of the Punjab National Bank. He argues a strong case for the penetration of commercial banks in the country-side and also pleads for raising the limits of loans to be granted by the Industrial Finance Corporation and the State Financial Corporations. He emphasizes that commercial banks should make a determined effort to augment their resources by tapping funds available in the rural areas. High cost of branch offices in rural areas is a serious handicap to the development of banking there. One effective remedy suggested by Mr. Jain to reduce costs is to allow banks to fix wage scales in alignment with the cost of living in those areas and not according to notional standards prescribed in the Bank Award. Government has shown no inclination to take kindly to this suggestion. A year and a half of the existence of the State Bank of India has shown that in spite of concession in the form of financial reliefs little encouraging progress could be made in branch office expansion in the country-side. The Chairman has suggested that commercial banks should be enabled to take an energetic and forceful part in rural banking activity by linking their operations with the Reserve Bank in its function of expanding rural credit as well as with industrial organisations like sugar factories, ginning presses, and so forth. There need not be any doubt that such a conscious direction of policy will accelerate the process of monetisation of the non-menetised sector. Agricultural and industrial activity in the rural areas will be fortified by larger facilities of credit.

Mr. Jain's proposals are helpful in so far as they go and they merit close consideration by the Reserve Bank and the Finance Ministry. But there are other urgent problems of bank credit which demand prompt solution. The main criticism against the working of the State Financial Corporations is their failure to serve the requirements of small and medium industrial units, although it must be recognised that some of them have to face competition from other State-aided financial agencies. The major problem of the Industrial Finance Corporations is inadequacy of funds for the second Plan. Their difficulties are not going to be solved by raising the ceilings on loans they are allowed to grant. But above all the burning problem which needs to be tackled immediately is one of overcoming the tightness in the money market for providing adequate credit for business activity in the urban and industrial sectors.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION, which was launched in January 1955 for giving assistance to industrial enterprises falling within the private sector, has completed two years and the total assistance it has authorised has now reached over Rs. 8 crores covering 28 projects. Mr. A. Ramaswami Mudaliar in his address as Chairman at the annual general meeting referred to two main criticisms levelled against the Corporation. One was that it was too slow in its working and it took a long time to scrutinise the projects presented to it. The Chairman was perhaps correct when he explained that it took some time for a Company starting from scratch to get going and gain experience. But with regard to scrutiny of projects, it is obvious that consistent with its responsibility, the Corporation should take steps to expedite them without undue delay.

Mr. Ramaswami Mudaliar referred to the other criticism that the Bank had so far failed to make use of the $10 million of credit granted to it by the World Bank. He explained that so long as industrialists and promoters of schemes presented to them were in a position to get their foreign currency needs in the normal way, they were not willing to take loans in foreign currency from the Corporation. But now the situation had changed as a result of the foreign exchange crisis and since the Government's deferred payment plan for capital imports had been announced, a number of enquiries for loans in foreign currency had been received by the Corporation. The Corporation has thus now come to acquire an increasing importance in the assistance it can lend to the private enterprises and in the coming months it will utilise more and more the line of credit open to it from the World Bank. The potentialities of the Corporation in industrial development will be thus felt in increasing degree in the months to come.

DUNLOP'S ACCELERATED PROGRESS

The rapid strides which Dunlop Rubber Company (India) is making are well reflected in its vigorous programme of development. Planned expansion of the Sahaganj factory will be completed in a couple of years' time and in the meantime work will be started for the erection of another factory at Madras. A comprehensive account of the financial and physical operations of the company during the calendar year 1956 will be found elsewhere in this issue in the annual review made by the incoming Managing Director, Mr. John Luckham. It is significant that the company's ratio of profit to turnover was reduced from 3.6 per cent to 3.2 per cent after taxation in the last two years. The Chairman rightly claims credit that this should be considered as a yardstick of the services rendered by the company to the country in this strategic industry. Continuous expansion of demand for tyres in particular and for other rubber products will be necessitated for developmental activity under the current Plan. The new Dunlop Roadster Giant Tyre is making rapid headway since ideal suitability under different conditions is its strong point. Demand for a variety of products, especially bicycle tyres, has outstripped output. The scooter is fast winning popularity with the urban rider. The Chairman has given the assurance that the company will strive its utmost to catch up with the demand. Imports were necessary under high pressure from the buyer and some time-lag would be required before domestic output will be able to cut down overseas purchases.

Mr. Luckham does not strike a note of complaint, but he urges that certain aspects of raw material supply should be taken into account. World prices for crude rubber declined last year below the prices of Indian rubber and to restore parity a cess was imposed after August 1956 on imports equivalent to the difference between the home rubber price and the landed cost of imported rubber. The cess is to go to assist rehabilitation of rubber plantations. This is a sacrifice which is demanded of the manufacturing industry since obviously there will be no compensatory relief if world prices rise above prices of Indian crude rubber. One factor contributing to higher production costs was the increase in import duty on items in which the industry is interested, for instance rayon yarn, in the case of which the duty was put up by 25 per cent. The company's experience on distribution of finished products was far from satisfactory, the chief bottleneck being wagon supply by the railways. This fact needs to be noticed as a reminder that the Railway Ministry's publicity of efficiency performance presents one side of the picture.

INDIAN BANK'S EVENTFUL YEAR

THIS PREMIER bank of South India is celebrating its Golden Jubilee this year. The concrete fruit of fifty years of sustained service and forward policy is seen in the new peaks achieved by the Bank during the calendar year 1956. The gross profit of the Bank reached another high of Rs. 2.04 crores in 1956 which compares with a gross profit of Rs. 1.46 crores in 1955. In terms of net profit, the record attained is the highest in the Bank's history of half a century. Net profit during 1956 rose to Rs. 45.71 lakhs at which level it was more than double the amount in the previous year. This performance speaks for the success of the working of the Bank. The reserve and other funds now add up to Rs. 1.01 crores as against the paid-up capital of Rs. 63.83 lakhs. The working funds have shown an impressive increase to Rs. 48 crores, or Rs. 6.10 crores more than in 1955. The foreign exchange business is expanding steadily. In the year of Golden Jubilee, the shareholders have been presented with the happy announcement of a dividend of 13.1 per cent.

The Chairman Kumararajah Shri M. A. M. Muthia Chettiar of Chettinad, has drawn pointed attention to the paradoxical situation which has arisen in respect of the official Bank Rate. Formally, the Bank Rate remains unchanged. Only the Reserve Bank's rate of interest on advances to scheduled banks against Government securities has been increased from 3½ per cent to 4 per cent. The status quo in regard to rate of interest on usance bills is more nominal than real. Actually, the abnormal increase in the stamp duty has raised the effective rate of interest on trade bills to 4 per cent. Scheduled banks are required to pay in practice 4 per cent, or a little more, on call and short-term deposits. Their lending rate has gone up by 1 per cent to 1½ per cent These manipulations of the interest rate have added to the strained situation which scheduled banks had to undergo during 1956 for a variety of reasons not least important of which was the official policy of credit restraint and squeeze.

EAST INDIA DISTILLERIES

THE STATEMENT of the Chairman, East India Distilleries and Sugar Factories Limited, Madras, made at the recent Annual General Meeting conveys an account of progress in each direction including the organisational set-up. The scheme of merger of Parry's with East India Distilleries has been fully implemented without any mentionable dislocation and the Company in its post-merger form has fully consolidated its position. A significant change in the Company's organisation is its transformation into a Director-managed concern. The majority of the members of the Board of Directors are now Indian nationals. It is happy to be told that this policy is going to be pursued progressively in the coming years with specific reference to the service cadres.

Programmes of expanded production of sugar, fertilisers, chemicals and other products are proceeding according to schedule. The Chairman has pointed out that export of sugar will in future become an integral part of the sugar industry of this country. Although the Company and the concerns allied to its group did not participate in the export trade because of lack of surplus production in South India, the Company's Deputy Managing Director made considerable contribution to formulating last year's export policy and programme in his capacity as Vice-President of the Indian Sugar Mills Association. The Indian agriculturist is fast becoming fertiliser-minded. The Company's turn-over in fertilisers nearly reached the two-crore rupees mark, while imports of chemicals went up to Rs. 61 lakhs. The transfer of Parry's interests in the fertiliser business to the Company and reorganisation of the group's factory at Ranipet have been completed. The resources position is under review to meet the increasing requirements of this business. It is sound proof of the dynamic state of the Company's structure that another factory is contemplated to be set up at Bezwada.

Company Meeting

The East India Distilleries and Sugar Factories, Ltd.

Statement by the Chairman at the Annual General Meeting of the East India Distilleries and Sugar Factories, Limited, Madras, on Tuesday, April 30, 1957.

"Last year, when I had the privilege of addressing you for the first time, as Chairman of the Company, I indicated to you in broad outline the shape of things to come, following the merger of Parrys with E.I.D. Now that I have the opportunity of addressing you again, you will no doubt be interested to know what progress we have made in the objectives set out. The E.I.D. is now a director-managed concern, with a majority of Indians on the Board. You will remember that at the time the merger proposals were placed before you, only myself and Sri V. Ramakrishna were on a Board of five, the other three being Messrs. Wonfor, Noel-Tod and Hadfield. The Board invited two distinguished Indians Dr. U. Krishna Rau and Sri R. Venkataswamy Naidu to join the Board and I may take this opportunity to record how much we valued their co-operation and goodwill, their knowledge and understanding of the problems that came for assessment at the Board level. May I also take this opportunity of recording my appreciation of the spirit of loyalty and sense of duty that uniformly characterised my British colleagues on the Board who were all in executive charge and entrusted with the responsibility of implementing the decisions of the Board. I have nothing but praise for the way the Directors on Parry Board also responded to their call. The Parry Board all along has been a close preserve of senior British Executives but today we have two Indian nationals on the Board and I have no doubt that in due course more Indians will find their place on it. It is the accepted policy of the Company that other things being equal, Indian nationals will have preference and priority in recruitment to the service cadre of the Company. It is also the policy of the Company to have these recruitments to the covenanted ranks by open competition. For the first time posts were advertised and applications invited towards the close of last year and I may confess I was amazed at the thousands of applications that came pouring in. From a study of these applications two things emerge viz. that there is plenty of qualified talent in this country waiting for openings and opportunities and that service in Parrys set-up is greatly coveted even by men already in service elsewhere. My only regret is that we are not in a position yet to make fuller use of the abundant talent available. Of those who are in the service of the Company today it is but right that I should record that I have found them in good fettle, eager and willing to give of their best, especially in the new set-up.

And now let me turn to the Report and the Accounts for the year ending 30th September, 1956. These

THE NEW SHORROCK SPINNING & MANUFACTURING COMPANY LTD.

NOTICE

NOTICE is hereby given that the 45th Ordinary General Meeting of the Shareholders of the Company will be held on Wednesday the 8th day of May, 1957 at 11-0 A.M. at the Registered Office of the Company situated in the Mill Compound of the Shorrock Spg. & Mfg., Co., Ltd., at Asarwa Road, Ahmedabad to transact the following business:

(1) To receive and adopt Directors' Report and the Audited Balance Sheet and the Statement of Profit & Loss Account for the year ended 31st December, 1956.

(2) To declare Dividend.

(3) To elect a Director in place of Shri Yogindra N. Mafatlal who retires by rotation, but being eligible, offers himself for re-election.

(4) To elect a Director in place of Shri Pramukhalal M. Patel who retires by rotation, but being eligible, offers himself for re-election.

(5) To elect a Director in place of Shri Ratilal Nathalal who holds office up to the General Meeting, but being eligible, offers himself for re-election.

(6) To appoint Auditors for the year 1957 and to fix their remuneration.

(7) To consider and if thought fit to pass the following Special Resolutions with or without modifications, if any.

Special Resolutions

1. 'RESOLVED THAT this Company hereby accords its consent to Shri Krishnalal R. Sitwala, the Spg. Master of the Company, who now becomes a relative of Shri Hemant B. Mafatlal, a Director of the Company, under Section 6 of the Companies Act, 1956, drawing a monthly salary of Rs. 1,800 from the Company and thereby holding the office or place of profit under it as defined in Section 314 of the Act'.

2. 'RESOLVED THAT in accordance with the provisions of Section 360 of the Companies Act, 1956 the Company hereby consents to the continuance of services from March 1, 1958 of the following persons who are the Associates of M/s. Mafatlal Chandulal & Co., Ltd., the Managing Agents of the Company, by virtue of their being relatives of the Directors of the said Managing Agents mentioned against their respective names hereunder:—

Name of Directors of M/s. Mafatlal Chandulal & Co. Ltd. whose relative he is	Name of persons who are in service of the Company	Designation	Present Salary	Remarks
Shri Laxmanprasad D. Vasa	Shri Jayantilal D. Vasa	Purchasing Officer	500.00	Entitled to get all other benefits as other employees of the Company.
Shri Kaushikprasad Chandulal	Shri Vinodchandra T. Patel	Spg. Supervisor	160.00	
— do —	Shri Jayendra T. Patel	Wvg. Supervisor	75.00	— do —
Shri Bhagubhai Chandulal and Shri Hemant B. Mafatlal	Shri Krishnalal R. Sitwala	Spg. Master	1,800.00	— do —

(8) To transact such other business as may be placed before the Meeting by the Chairman.

The Share Transfer Books of the Company will be closed from 16th day of April, 1957 to 6th day of May, 1957, both days inclusive.

By Order of the Board of Directors,
For Mafatlal Chandulal & Co., Ltd.
ARVIND N. MAFATLAL
Director,
Managing Agents

BOMBAY,
Dated March 18, 1957.

N.B. 1. **Proxy:**—A Member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy or Proxies to attend and vote instead of himself and that a Proxy need not be a Member of the Company.
2. The Dividend, if any, as sanctioned at the General Meeting will be paid to those Shareholders whose names stand on the Register of the Company on 16th day of April, 1957. The payment will be made from Thursday the 23rd day of May, 1957 between 12-0 Noon and 4-0 P.M. at the Registered office of the Company situated in the Mill compound of the Shorrock Spg. & Mfg. Co., Ltd., at Asarwa Road, Ahmedabad, on working days.
3. Dividend Warrants will be sent to the Registered Addresses of the Shareholders.

Explanatory Statement under Sec. 173 of the Act has been sent to the Shareholders.

THE SHORROCK SPINNING AND MANUFACTURING COMPANY LIMITED

NOTICE

NOTICE is hereby given that the 53rd Ordinary General Meeting of the Shareholders of the Company will be held on Wednesday the 8th day of May, 1957 at 10-30 A.M. at the Registered Office of the Company in the Mill Compound at Asarwa Road, Ahmedabad to transact the following business:

(1) To receive and adopt Directors' Report and the Audited Balance Sheet and the Statement of Profit & Loss Account for the year ended 31st December, 1956.

(2) To declare Dividend.

(3) To elect a Director in place of Shri Yogindra N. Mafatlal who retires by rotation, but being eligible, offers himself for re-election.

(4) To elect a Director in place of Shri Pramukhalal M. Patel who retires by rotation, but being eligible, offers himself for re-election.

(5) To elect a Director in place of Shri Bhagubhai Chandulal who holds office up to the General Meeting, but being eligible, offers himself for re-election.

(6) To appoint Auditors for the year 1957 and to fix their remuneration.

(7) To consider and if thought fit to pass the following Special Resolution with or without modifications, if any.

SPECIAL RESOLUTION

1. RESOLVED THAT in accordance with the provisions of Section 360 of the Companies Act, 1956 the Company hereby consents to the continuance of services from March 1, 1958, of the following persons who are the Associates of M/s. Mafatlal Chandulal & Co. (Ahmedabad) Ltd., the Managing Agents of the Company, by virtue of their being relatives of the Directors of the said Managing Agents mentioned against their respective names hereunder:-

Names of Directors of M/s. Mafatlal Chandulal & Co. (Ahmedabad) Ltd. who relative he is	Names of persons who are in service of this Company	Designation	Present salary	Remarks
Shri Arvind N. Mafatlal	Shri Bapalal P. Desai	Stores Clerk	115/-	Entitled to get all other benefits as other employees of the Company.
Shri Laxmanprasad D. Vasa	Shri Jayantilal D. Vasa	Purchasing Officer	500/-	
— do —	Shri Rasiklal R. Patel	Cotton Clerk	138/-	— do —
— do —	Shri Harkant N. Sitwala	Sales Clerk	80/-	— do —
Shri Pramukhalal M. Patel	Shri Atmaram R. Patel	Pay Clerk	146/-	— do —

(8) To transact such other business as may be placed before the Meeting by the Chairman.

The Share Transfer Books of the Company will be closed from 16th day of April, 1957, to 6th day of May, 1957, both days inclusive.

BOMBAY,
Dated 18-3-1957

By Order of the Board of Directors,

For Mafatlal Chandulal & Co. (Ahmedabad)

ARVIND N. MAFATLAL

Director,

Managing Agents.

N.B. 1. **Proxy:**—A Member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy or Proxies to attend and vote instead of himself and that a Proxy need not be a Member of the Company.

2. The Dividend, if any, as sanctioned at the General Meeting will be paid to those Shareholders whose names stand on the Register of the Company on 16th April, 1957. The payment will be made from Thursday the 23rd day of May, 1957 between 12-0 Noon and 4-0 P.M. at the Registered Office of the Company in the Mill Compound on working days.

3. Dividend Warrants will be sent to the Registered addresses of the Shareholders.

Explanatory Statement under Sec. 173 of the Act has been sent to the Shareholders.

have been in your hands for the statutory period and with your permission I shall take them as read. I regret very much that these Accounts are submitted to you later in the year than has been done in the past. The delay however has been quite unavoidable. It has been largely occasioned by this being the first time that consolidated Group Accounts have been furnished and the preparation of Accounts in this form has necessarily had to be done with great care. Also, the provisions of the Indian Companies Act, 1956, regarding the charging of expenses by a Managing Agent to Managed Companies, have delayed the finalisation of the accounts of our subsidiary, Parry and Company Ltd. To enable the Directors of Parry and Company, Ltd., to formulate an equitable assessment of the amounts of overheads etc. that should correctly be charged to the Managed Companies, an elaborate system of recording through Time Sheets, the time spent by each member of the staff on the affairs of each Company in the Group was introduced. The consolidation of the information made available by these Time Sheets took some time to complete but in order to comply with the spirit and the letter of the Indian Companies Act it was quite essential that this additional work should be undertaken. Having now accumulated reliable statistics, I expect, it will not be necessary in succeeding years to undertake this work in such detail and I therefore hope that it will be possible to issue the Accounts for the current year well before this time next year. You are of course aware that in order to ensure that dividends were paid within the fiscal year ended 31st March, 1957 your Directors declared a second interim dividend of 10 per cent in anticipation of these Accounts being adopted and thereby shareholders have been saved the embarrassment of the final dividend being paid the next fiscal year.

The operations of the year have been fully reviewed in the Directors' Report and there are only one or two points I should like to refer in this context. You would have noticed with interest that the sugar industry has developed a new facet with the emergence of an export market due to fortuitous circumstances. Part failure of the best crop in Europe and the closure of the Suez Canal created a shortage of sugar supply in the Middle East which it was possible for India to cover at remunerative prices. Exports are being handled through the agency of the Indian Sugar Mills' Association, on a non-profit basis. Such profits as are made are carried over to a Reserve with a view to balance any loss that may be incurred in the future in the maintenance of the export market. So far, firm orders to the extent of about 86,550 tons have been booked and shipments in substantial measure have already commenced according to an agreed schedule. Further orders are expected and the Government of India, I understand, are agreeable to release stocks for export and they had no idea of imposing any rigid limits in this respect. In hammering out the export scheme and giving it dynamic expression you will be glad to know that Mr. P. Hadfield, Deputy Managing Director of this Company played a notable part as Vice-President of the Indian Sugar Mills' Association. Our Group has not yet sold any sugar for export. This is understandable against the background that South India is still deficient in sugar and it is easier to negotiate freight at the two ports Bombay and Calcutta, from which exports are now made. But the value of this offtake by means of exports cannot be overlooked or underestimated in sugar economy. Today there is an all-India surplus in production, supply outpacing demand. This no doubt is a heartening reversal of the position three years back when sugar had to be imported to relieve shortage in the country. In 1954-55 the total production of sugar in the country was 15.89 lakhs of tons; in 1955-56 it moved up to 18.56 lakhs of tons; in 1956-57 it is estimated production will touch 20.2 lakhs of tons. Besides expanding production, we have also a carry over of well over 5 lakhs of tons. The present pace of consumption is rated at 19 lakhs of tons and at the end of the Planning period it is expected this may move up to 22.5 lakhs of tons. At the same time, with new sugar mills progressively coming into production during the Plan period and several of the old ones expanding their crushing capacity the total production in the country is expected to reach up to 25 lakhs of tons at the end of the second Planning Period. If sugar economy is to be protected, obviously, apart from expanding internal consumption a regular outlet by way of export has to be created, developed and maintained. By good luck we have made a promising beginning and if only Government will take note of the export potential and the need to build it up in all possible ways, I believe the sugar industry apart from safeguarding its own economy is destined also to play an important part in the balance of payments position of the country. Before leaving this subject, may I crave your indulgence to correct a misstatement in the Directors' Report. In the last para under the heading "Sugar" in page 6 of the Report the closing sentence says that the export target at the end of the second Five-Year Plan has been fixed at 2,500,000 tons. This is obviously a mistake, the figure refers to the total production target.

You will also have observed that in the Report mention is made of the substantial increase in Fertiliser turnover. The turnover in fertilisers during the period under review amounts to just under two crores of rupees equivalent to £1½ million sterling and that of chemical imports to 61 lakhs of rupees equivalent to 457,000 pounds sterling. Business in these lines bids fair to increases in the coming years as people in the agricultural sector are getting fertiliser minded and it is the policy of the Government to increase food production by extensive as well as intensive cultivation. With a view to simplify and streamline operation and control of the Group's factory at Ranipet where the major part of our fertiliser manufacture is carried on, the transfer of Parry's interests in the fertiliser business to East India Distilleries and Sugar Factories Ltd., has just been completed and in addition it is proposed to set up another factory at Bezwada to which I shall refer in greater detail presently. It is obvious that a turnover of this magnitude running into millions of pounds will require careful consideration of our cash and credit resources. On the basis of our present capital and reserves it seems to me our credit resources are fully extended and it would be unwise to base our further expansion programme on such additional banking facilities as may be available to us. Your Directors are now exploring various alternatives by which further capital can be introduced into the Group and we shall come forward presently with proposals to this end. In this context it may be just as well to correct a possible misapprehension arising from the acquisition of Parry's equity shares. Although the total cost of cash for the purchase of the Parry ordinary shares amounted to £558,000, the actual net outgoing of cash from the Group on this account is £.204,000 only. This is because £.225,000 of the outgoing amount was immediately used by the main sellers the Coromandel Investment Trust Ltd., to purchase the E.I.D. shares then held by Parry and Co., Itd., and they also agreed to accept deferred payment in respect of £.144,000, balance of the purchase price. Of this amount of £.144,000 for which deferred payment over 5 years was agreed, a first instalment of £.15,000 only has just been paid.

Turning to the results of the year, I would like to stress that the Accounts of our two main subsidiary Companies, Messrs. Parry and Co., Ltd., and Messrs. Parry, Murray and Co., Ltd., are for 9 months only, but it is most satisfactory to note that for these 9 months they have recorded profits on a par with their results for the previous 12 months which confirms the view taken by your Directors 18 months ago on the

profitability of acquiring the ordinary capital of these Companies. If we convert these figures to a basis of twelve months and if we reduce the taxation charge by the sum applying to previous years, we find that the net profit after taxation would have been increased by some £.60,000 and that our present dividends would be covered three times by earnings. On the basis of a full year's income, the figures for 1956 show that the purchase price of ordinary shares in Parry and Co, Ltd. (on an annual basis of 22.4 per cent) works out to less than five years' yield on these shares. I may also make a reference to the amount of taxation paid on the Group profits for the year under review, as set out in note 3 of page 18 of the Report and Accounts. The total amount of tax represents the very high figure of about 56 per cent of the profit and of the total amount of taxation, £.66,223 consists of additional taxation imposed by the Indian Finance Act, 1956 and the Indian Finance (No. 3) Act, 1956. This sum represents 13 per cent of the profit or, viewed in another way, 12 per cent on the Ordinary Capital. I feel therefore that it may be recorded as a matter for satisfaction that in spite of the burden of this upsurging in taxation your Directors have been able to maintain a total dividend of 15 per cent on the Ordinary Share Capital. To what extent the burden of taxation may be varied during the current year is of course dependent on the contents of next month's budget and I cannot, therefore, venture on any forecast but the figures I have quoted will establish beyond doubt or dispute that private enterprise, rightly directed, will prove a bulwark to our national economy.

Turning to the prospects for the current year I am glad to say that progress is well maintained in all directions. It is common knowledge that import restrictions have progressively been tightened in recent months. To the extent that the policy is dictated by a desire to protect indigenous industries we may take comfort that the trading activities of Parry and Co., Ltd., will not be seriously affected, as in Parrys sales agency portfolio we hold a high proportion of goods of Indian manufacture. The major items in the import agencies that we hold are essential commodities such as sulphur, phosphates and plant for generation of electricity in respect of which, I expect, restrictions will be relaxed. Incidentally Shareholders will be interested to learn in connection with the last item that over the past eighteen months Parrys have obtained orders for the Diesel generating equipment manufactured by Messrs. Mirless Bickerton and Dey Ltd., of Stockport to a total contract value of just under two crores of rupees or very nearly £.1½ million. These orders include about 6,000 kilowatts of power for the Koyna Project in Bombay, 6,000 kilowatts of power for the construction of the Russian Steel Plant at Bhilai in Madhya Pradesh, and over 20,000 kilowatts for the Delhi State Electricity Board. It must however be recognised that the general exchange position has sadly deteriorated and its shadows have begun to fall even in respect of capital goods. Unless long-term credit facilities from overseas manufacturers are forthcoming, exchange restrictions, I am afraid, will effect the flow of orders in respect of capital goods. It may be possible to arrange medium if not long-term credit if Government can find ways and means to guarantee exchange rates. I understand Government are considering at the moment representations to this effect from concerned interests and I hope that the problem posed will be resolved soon.

Apart from the direct activities I have so far referred to, you are aware that Parry and Co., Ltd. perform the duties of the Managing Agents for three Companies. The Deccan Sugar and Abkhari Co., Ltd., the Travancore Sugars and Chemicals Ltd., and Parrys Confectionary Ltd. You will be glad to hear that all these companies are in good shape and have maintained their dividends. In respect of the Deccan Sugar Abkhari Co., Ltd., you will be interested to know that the Company is at the moment engaged in a programme of modernisation and reorganisation of its factories at Samalkot and Pugalur which will considerably improve the efficiency of both units. The Company is issuing 3,96,400 shares at par totalling approximately twenty lakhs of rupees which I expect will easily be taken up by the shareholders having regard to the record of the Company in the past and current market quotations for these shares.

Last year the Cauvery Sugars and Chemicals Ltd., was promoted with the goodwill and co-operation of the East India Distilleries and Sugar Factories Ltd., and Parry and Co., Ltd. Capital issued was of the order of 49 lakhs and the entire issue was underwritten. Orders have been placed for the requisite machinery and the factory is now under construction. The factory is well located at Pettavathalai in Kulittalai Taluk, Tiruchirapalli District, as good quality cane in sufficient supply is confidently expected to be available. The capacity of the factory is 300 tons of cane per day. The East India Distilleries and Sugar Factories Ltd. have been appointed Technical Consultants and Parry Co., Ltd. are the Secretaries and Treasurers. The main reason which prompted our association with this new Company is the desire to have a common selling organisation which will not only operate economically but also ensure a fair margin for the production of Nellikuppam Factory, Pugalur Factory and Cauvery Factory. The new factory is expected to go into production in June-July next year.

Earlier, I referred in another context to our intention to set up a factory at Bezwada for Fertilisers to cover the needs of the Krishna and Godavari Delta. This Company (Andhra Fertilisers Private Ltd.) in which the East India Distilleries and Sugar Factories Ltd. will be equal partners with Messrs. K. C. P. Ltd., will shortly be formed. It is proposed to establish a super-phosphate manufacturing unit, for which Government approval has already been obtained. The sales franchise of this new Company will be exercised by the East India Distilleries and Sugar Factories Ltd. I don't think I need say anything more about the value or importance of this unit intended as it is to enable us to improve our coverage in Andhra in respect of fertilisers.

One other Company that we propose to interest ourselves in is the Pamba River Starch Co. Private Ltd. in which the East India Distilleries and Sugar Factories Ltd. will be an equal partner with Messrs. Corn Products Ltd. and Messrs. Travancore Sugars and Chemicals Ltd. The object of the Company is to manufacture from Tapioca roots a high grade starch principally for the export markets. We are holding up the integration of the Company pending clarification of the condition under which companies may be required to deposit a part of their Reserves with the Government, pending also the issue of an import licence for the plant required and finally pending a clarification of the policy of the present Government of Kerala on the issue of nationalisation.

I shall now revert to the Report and Accounts placed before you; before proposing the adoption of the Report and Accounts for the year ending 30th September, 1956, I shall be glad to answer to the best of my ability any questions which any shareholder may wish to put to me concerning the Report and Accounts."

The Directors' Report and the Accounts for the year ended 30th September, 1956 were unanimously adopted. Mr. R. Venkataswamy Naidu and Mr. P. Hadfield were re-elected to the Board, and the Auditors, Messrs. Lovelock and Lewes, were re-appointed.

N.B.—This does not purport to be a Report of the Proceedings of the General Meeting.

A Letter to the Editor

A SOMEWHAT DIFFERENT CASE

Sir,

In the "Economic Report from the U.S.", entitled "I.M.F. at Work" by Guy Sims Fitch (vide your issue dated April 19, 1957), it is stated: "The recent $200 million standby loan to India presented 'a somewhat different case' ..... economic policies." By itself, this observation is not such as to make any Indian take exception to it. But following, as it does, a reference to the maximum allowable credit to the U.K. and preceding another reference to the short-term credit to Argentina, it does not, in my opinion, establish that any special concession has been made in the case of our country as your comment seems to suggest. For, notwithstanding all the explanations that Guy Sims Fitch offers to justify the maximum credit extended to the U.K., it is clear that part at least of that country's troubles has been the outcome of the Suez escapade. Fortunately for Britain, her economy has not been very adversely hit even by this, as her Chancellor of the Exchequer has only recently admitted. Nor is her external balances position so bad as was made out to be, especially when this country was obliged to draw heavily on her sterling balances. True experience reveals that even relatively small movements in the sterling balances can create havoc with the slender balances on overall trade account. Yet, as the London correspondent of "Commerce" has rightly observed in his despatch dated April 6, 1957 to that journal (vide issue dated April 13, 1957) "if one is seeking to indict the holders of sterling balances for having embarrassed the U.K. by their drawings, one must also appreciate that, at the end of 1952, the sterling balances of all the countries stood at £3,219 million and at the end of 1956 at £3,425 million, showing over the five years an increase of £200 millions!" All these only go to show that the U.K.'s economic condition has not been, and is not, so hopeless as some have sought to establish, presumably to evoke the sympathy of the U.S.A. and international financial agencies; at any rate, it cannot be as bad as that of India; judging by the 100 million tax relief that the British Chancellor of the Exchequer has given in the last budget, on the one hand, and the threat of several hundred crores of additional taxation that his Indian counterpart has been holding out, on the other.

In the case of Argentina, even according to your correspondent himself, the economic problems of the country are a legacy of the Peron regime and yet to relieve the strain on her external reserves, we are told, the I.M.F. extended the latest short-term credit to Argentina. In the light of such self-evident facts — more political than economic — I thought it rather intriguing that Guy Sims Fitch should have regarded the credit to India as presenting "a somewhat different case." If, as your correspondent pertinently remarks, in practice, the I.M.F. has had to deal with exchange problems created by economic expansion rather than contraction (when the Monetary Fund was started in 1944, it will be recalled, the experts connected with it envisaged it largely as a safeguard against international recession), it has done nothing exceptional to India, although one must appreciate the dynamism of the I.M.F. machinery. I believe India is entitled to take some credit at least for this reorientation in outlook of the I.M.F. This country cannot be too grateful, therefore, to those who represented it so ably on the I.M.F. and to no less a degree, to our present Ambassador in America, who has pulled the strings from behind in true diplomatic style that seems so naturally to come to him.

Yours sincerely,

ORVY

UDAIPUR,

April 22, 1957.

MAHINDRA & MAHINDRA LIMITED

NOTICE

THE Eleventh Annual General Meeting of the Shareholders of Mahindra & Mahindra Ltd. will be held at the Green's Hotel, Apollo Bunder, Bombay 1, on Wednesday, 22nd May, 1957 at 4-00 p.m. to transact the following business:—

(1) To receive and adopt the Directors' Report, the audited balance-sheet and profit and loss account for the year ended 31st October, 1956.

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

(3) To appoint a Director in place of Mr. A. K. Mitra who retires under Article 110 of the Articles of Association but is eligible for re-election.

(4) To appoint a Director in place of Mr. Keshub Mahindra who retires by rotation under Article 110 of the Articles of Association but is eligible for re-election.

(5) To appoint a Director in place of Mr. Jal H. Mehta who retires by rotation under Article 110 of the Articles of Association but is eligible for re-election.

(6) To appoint Auditors for the current year and to fix their remuneration.

A member entitled to attend and vote at a Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

By Order of the Board,

KESHUB MAHINDRA,

11th April, 1957. DIRECTOR.

The Transfer Books of the Company will be closed from the 8th May, 1957 to 22nd May, 1957 both days inclusive.

The Dividend when sanctioned will be payable to those shareholders whose names stand on the Register of the Company on 22nd May, 1957, and the Dividend Warrants will be posted to them on or after 23rd May, 1957. Shareholders are requested to immediately notify any change of address.

Company Meetings

DUNLOP RUBBER CO., (INDIA) LTD.

Mr. John Luckham's Review

The 31st Annual General Meeting of the Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 29th April. Mr. John Luckham, Managing Director, said:

Gentlemen,

The Directors' Report and Accounts for the year 1956 have been in your hands for some time and with your permission I will take them as read.

I should like to preface my remarks this year by referring to changes in your Board of Directors. Mr Cecil Stack, who had been a Director of the Company since 1942 and Managing Director for the last six years, resigned at the end of last month. During the last year Mr. Stack had been in indifferent health and since he had served for 33 years in this country he decided to accept an appointment offered to him by the Dunlop Rubber Co., Ltd. in London. It was with great regret that the Board accepted his decision and I am sure you will wish to join me in expressing our appreciation of Mr. Stack's long and valuable services.

You will have seen from the notice convening the meeting that it is proposed to appoint Sardar H. S. Malik to the Board. Sardar Malik, as I am sure you are all aware, has recently retired from a long and distinguished career in the service of the Government of India and latterly as Indian Ambassador to France. I am confident that Sardar Malik's wise counsel and great knowledge of affairs will be of the utmost assistance to your Board and I commend this appointment for your approval.

THE YEAR'S TRADING

The factory was working to full capacity throughout the year and new records of output were achieved. Nevertheless, we were unable to meet the demand for all of our products and a shortage of Giant and Cycle Tyres and Cycle Rims necessitated the Government granting import licences for these products to alleviate the situation. We have plans for increasing our production and I will deal with these later on in this review.

Once again distribution of the Company's products was adversely affected due to the shortage of railway wagons. Many pleas have been made from both the public and private sectors for serious actions to be taken to improve the situation, and it is to be hoped that this important problem will receive the attention it deserves.

Total sales in value were 12½ per cent higher than in 1955, but with the lower level of selling prices prevailing throughout 1956, the ratio of profit to turnover declined from 3.6 per cent to 3.2 per cent after taxation. This exceedingly modest profit percentage provides, I think, a good measure of our service to the community.

PRODUCTS

We have continued to receive the full benefits of the Dunlop worldwide research activities and many improvements have been put into effect during the year.

Last year my predecessor announced the introduction of the new Dunlop Roadster Giant Tyre, and it is with great pleasure that I am able to tell you that this has been extremely successful and has proved ideal for most conditions. This new tyre, combined with the ever popular Dunlop Trakmaster Giant Tyre, provides users with an ideal selection to choose from to cover the different types of service conditions which are found in this country.

Car Tyre performance continues to be excellent and we have retained our premier position in the market.

I must make mention here of the very rapid growth in the development of the Scooter and to say that your Company have prepared themselves to meet the demand for the special type of tyre required.

The Bicycle Industry continues to develop very rapidly and so far we have been unable to keep pace with the demand for our Cycle Tyres and Rims, and, as already stated, imports were necessary to help fill the gap.

Substantial increases in sales were also achieved in our Industrial Rubber Products range. The second Five-Year Plan has already increased the demand for Conveyor Belting and we are taking steps to ensure that we can play our part in meeting this. Further great strides were made in Dunlopillo Latex Foam Cushioning and demand remains ahead of production.

Our work in chemical plant lining made considerable progress during 1956, and we now have orders in hand which fully justify our decision to undertake this work.

NEW FACTORY

I am happy to be able to tell you that in addition to the expansion which has taken place and will continue at least for the next two years at your Sahaganj factory, the Company has obtained Government approval for the establishment of another tyre factory in Madras. The Chairman stated at this time last year that we as a Company hoped to play our full part in meeting the very considerable increase in demand for rubber products which would arise under India's second Five-Year Plan. The new factory in South India will, it is hoped, give us sufficient overall capacity to meet the demands for our products for some time to come. A substantial amount of additional capital will be required to finance this new project and as soon as our plans have been finalised you will be advised of the Board's proposals. An issue of further share capital will form the basis of these plans.

RAW MATERIALS

The raw material supply position, with the exception of crude rubber, was generally satisfactory and we were fortunate that at the time of the Suez Canal crisis we had adequate stocks of imported materials.

As in the previous year, consumption of raw rubber by manufacturers at 31,405 tons far exceeded production at 23,444 tons and substantial imports were made.

Since the world market price of rubber had fallen below the Indian controlled price, Government introduced a cess on imported rubber equal to the difference between the landed cost of the imported rubber and the local price, applicable to all imports after August, 1956. The amount collected under this price equalisation policy is payable to the Rubber Board as a contribution to the rehabilitation of rubber plantations. We are happy to co-operate with Government in this scheme, but have been unable to get any indication of how the importer will stand in the event of the world rubber price again rising above the local price.

Generally costs tended to rise during the latter half of the year, chiefly due to increases in freight rates and import duties. For instance, the duty on rayon yarn, one of our chief raw materials, was increased by 25 per cent and to a lesser extent carbon black and tyre valves were also affected.

PROFIT & LOSS ACCOUNT

The net profit for the year after providing for depreciation, interest and taxation was Rs. 55,09,909 and after taking into account the balance of profit carried forward the amount available for disposal is Rs. 66,81,594 compared with Rs. 61,28,686 for 1955. The Directors are recommending the same rate of Ordinary Dividend as for 1955, that is 15 per cent, which will absorb Rs. 24 lakhs. The Directors also propose the transfer of Rs. 26 lakhs to General Reserve as against Rs. 22 lakhs last year. This will increase the General Reserve to Rs. 216 lakhs and you will see from the Balance Sheet that the Ordinary Share Capital is covered more than twice by the total Reserves and Surplus. These reserves are, of course, fully employed in the business and the continued availability of profits for appropriation to reserves is very necessary to assist in providing the funds for development and expansion.

BALANCE SHEET

The additions to Fixed Assets during the year amounted to Rs. 42,22,000, consisting mainly of Plant and Machinery for expansion and modernisation. The amount of depreciation written off in 1956 was Rs. 30,55,000 as against Rs. 27,51,000 in 1955.

Stock inventories at Rs. 455,47,000 were Rs. 63,84,000 higher than at the close of the previous year. This was partly due to increased production but also to the fact that some raw material stocks were abnormally low at the end of 1955. Sundry Debtors were up by Rs. 28,79,000, due to the greater sales turnover. Cash, Bank and Current Balances were also higher, making the total increase in Current Assets Rs. 107,15,000. Deducting the increase of Rs. 17,96,000 in Sundry Creditors and other current liabilities there is shown a net increase in working capital during the year of approximately Rs. 39 lakhs, which is reflected in the combined rise in the bank overdraft (including the usance promissory notes) and unsecured loans.

EMPLOYEE RELATIONS

During the past year we have continued our efforts to maintain and improve our high reputation for congenial working conditions and welfare facilities. At our Sahaganj factory we now house, at low rents, a community of 4,600 employees and their families. The standard of housing is very high and excellent medical services including a modern hospital are available to all. Canteens have been provided in which good meals are available at subsidised prices. The existing educational facilities for children are now proving inadequate and a new school building is under construction. A market building is also being provided to improve shopping conditions for the residents in the Company's housing estate. The construction of 65 additional houses, to which the Chairman referred on this occasion last year, is now well advanced and improved street lighting is being installed. All forms of sport are encouraged, for which the Company provides the necessary grounds and buildings. Thus we strive to look after the welfare of our employees and extend their social amenities. General labour relations remained consistently good throughout the year. Staff and operatives have given us their loyal support and contributed greatly towards the successful outcome of the year's activities. I am sure you will wish to join with the Directors in thanking them for their faithful service.

Note:—This does not purport to be a record of the proceedings of the annual general meeting..

THE INDIAN BANK LTD.

Extracts from the speech delivered by Kumararajah Shri M. A. M. Muthiah Chettiar of Chettinad, B. A., who presided over the Fiftieth Ordinary Annual General Meeting of the Shareholders of the Bank held on 20th April, 1957 at "The Indian Bank Buildings", North Beach Road, Madras.

Gentlemen,

The year 1956 was a most significant landmark in the economic development of our country. It marked the end of the first phase of our development plan viz. the first Five-Year Programme and ushered in, the second phase of our plan, viz., the second Five-Year Programme. While the emphasis in the first Five-Year Programme was on agricultural development, the main feature of our present programme is on rapid industrialisation. The second Plan envisages a rapid increase in the tempo of industrial activity. The Plan, has among other objectives, an increase in the national income by 25 per cent and the per-capita income by 18 per cent, additional employment for 5 million persons, an increase in the output of finished steel to 4.3 million tons as against 1.3 million tons, in that of aluminium to 25,000 tons as against 7,500 tons and in that of cement to 4.80 million tons as against 2.70 million tons.

For effectively reaching the Plan targets, plan estimates indicate an investment of about Rs. 5,300 crores

in the public sector alone covering the Central and State Governments. But the need for reappraisal of the position is becoming more apparent as the strains and stresses of the very first year of the Plan are beginning to be felt. There are enough indications to show that the present scheme of development is too ambitious to be carried out successfully without serious damage to the economy of the country. Further, if an additional Rs. 2,400 crores are needed in the private sector, the plan will mean double the expenditure of the first five year plan. It will be wisdom, therefore, that the Plan should not leave out of sight the resources available for it and should not also be allowed to dominate the economy to the point of breaking it. It is the view of many of our leading economists and industrialists that a re-examination of the resources is vitally necessary. The increase in the rate of investment in the plan projects should also be in proportion to the rate of increase in consumption. But an under-developed economy can never keep pace with the rate of increase of investment which is out of proportion to its capacity for consumption.

The working of the second Five-Year Plan will naturally have its impact on the banking system. The banks are called upon to extend credits to meet the needs of an expanding economy. In 1956, Bank credit registered such a sharp rise as to act as a regular squeeze on the resources of banks. Money became so dear that the banks had to restrict even normal advances and had to depend more and more on the assistance of the Reserve Bank.

The advances of scheduled banks during 1956 amounted to Rs. 788 crores showing an increase of Rs. 157 crores over the previous year. There were no proportionate increases in the deposits of the Banks. During 1956, the deposits increased only by Rs. 81 crores to Rs. 1,114 crores. The percentage of advances to deposits shot up by about 11 per cent i.e. from 60.37 per cent to 71.11 per cent. The Banks had, therefore, to dispose off a portion of their security holdings and they were also obliged to bring down their cash ratio. This resulted in the increase of the indebtedness of scheduled banks to Reserve Bank of India from Rs. 30 crores at the end of 1955 to Rs. 79 crores at the end of 1956. The demand for money was so acute that rates of interest had to be raised for time and call deposits resulting in an increase in interest paid by scheduled banks.

Although the bank rate of 3½ per cent remained unchanged, the Reserve Bank, from 1st February, 1957, raised the rate of interest on advances to scheduled banks against Government securities from 3½ per cent to 4 per cent. Though the rate of interest was not raised on usance bills, the abnormal increase in the stamp duty resulted in an actual 4 per cent interest rate on trade bills. The result is that although the Reserve Bank rate is 3½ per cent, scheduled banks are paying on call and short-term deposits 4 per cent and a little over sometimes. The lending rate of scheduled banks has in consequence increased by 1 to 1½ per cent. The scheduled banks during 1956 witnessed and continue to witness a period of high bank rate, credit restraint and credit squeeze and security selling continues to be a part of normal banking operations.

Another important feature of our economy during the first year of the second Plan which has caused anxiety in financial circles, has been the rapid deterioration of our foreign exchange position. Our foreign exchange reserves have fallen by Rs. 229 crores during the last year which leaves very little margin for safety. Large purchases of steel and machinery for Plan purposes have resulted in a great increase of imports over exports. The total money supply with the public at the end of December, 1956 comprising of currency and bank deposits amounted to Rs. 2178 crores showing an increase of Rs. 131 crores over the figure at the end of December, 1955. Due to money supply outpacing the rise in production levels and economic activity, the index number of wholesale prices recorded an increase of sixty-one points and consumer prices rose substantially. As I pointed out earlier, unless the national output is increased proportionately with the rate of consumption, the gap will usher in conditions of rising prices.

Another important event in 1956 was the emergency budget of the Finance Minister in November 1956. The main features of the budget were enhanced taxation of dividends of Joint Stock Companies, compulsory deposit of the Reserves and Profits of Companies with the Reserve Bank and the re-introduction of the Capital Gains Tax. Several cuts in imports of consumer goods covering a large number of items were made to conserve Foreign Exchange resources. Mention must be made of the additional excise duties on textiles imposed in October, 1956.

The policy of the Government has been one of more taxation and the Private Sector has almost been frightened off by these measures. There has been a spectacular drop in Stock Exchange values and between November 1956 and April of this year there has been a landslide resulting in a loss of about 40 per cent of the values. This is regrettable as the country's record of industrial production reached a new high level in 1956. Production statistics and financial results of companies were extraordinarily good. The tempo was steadily kept up and there was an industrial 'buoyancy'. The general index of industrial production (base 1951: 100) improved from 122.9 for January, 1956 to 197.9 in June 1956—an all time high in the industrial production of the country. Uncertainty in regard to Government's policies on the foreign exchange and domestic price fronts has created fear and anxiety in the private sector and the tempo of industrial activity has shown signs of slowing down.

The assurance of the Prime Minister on 13th April, 1957 that the private sector has not only a very important but also a respectable place in the context of the broad policies of the Government is to be specially welcomed at this juncture.

Now I have great pleasure in referring you to the salient features of the Balance Sheet and Profit and Loss Account of the Bank. The gross profit of the Bank has reached a new high figure of Rs. 204.33 lakhs for the year ended 31st December, 1956 as against Rs. 146.28 lakhs for the corresponding period in 1955. The net profit is the highest reached since the inception of the Bank. The net profit for 1956 amounted to Rs. 45.71 lakhs as against Rs. 20.28 lakhs in 1955. Your directors have recommended a dividend of 13 per cent for the year.

The Bank's financial strength is reflected in its Reserve Funds. As against a paid-up capital of Rs. 63.83 lakhs, the Reserve and other funds stand at Rs. 90.50 lakhs inclusive of the appropriation of Rs. 10.75 lakhs from the profits of 1956.

The working funds improved to Rs. 48.00 crores as against Rs. 41.90 crores in 1955. It will also be of interest to you to learn that our foreign exchange department is steadily making progress.

THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LIMITED

Speech of the Chairman, Sir Ramaswami Mudaliar at the Second Annual General Meeting of the Industrial Credit & Investment Corporation of India Ltd. held on Monday, 22nd April, 1957, at 4 p.m. at the Offices of the Associated Cement Companies Limited, Bombay.

Gentlemen:

I welcome you to this the Second Annual General Meeting of the Shareholders of this Company. The Directors' Report and the audited accounts have been in your hands for some time and with your permission I shall take them as read.

Before we proceed to the consideration of the accounts and the adoption of the Directors' Report, I should like to make a few observations of a general character.

From the Directors' Report it will be seen that at the end of 1956 your Company had agreed to give assistance in respect of 24 projects and others were under examination. The total of assistance authorised has now reached over Rs. 8 crores in respect of 28 projects. For the reasons brought out in the Report the present total of our actual investments is, of course, substantially less.

You will be aware that there has been some criticism in certain quarters regarding our activities. We have been accused of being too slow and too cautious in our lending and investing policy. Your Directors have had these criticisms very much in mind and from time to time have reviewed past activities to see whether these criticisms were justified. They reached the conclusion that they were not. When a Company such as ours is started from scratch it inevitably takes some considerable time to get organised and to gain experience. The record of other companies doing similar business both in India and elsewhere is very much the same as ours in their earlier stages. We set out to do something wider in scope than has ever been attempted in India. We are not a purely lending company concerned mainly with the security offered against our loans. We have done a substantial amount of underwriting of shares and have indeed invested in the share capital of a number of companies, an activity which requires very close consideration of the proposals advanced. At our inception there was a great urge to move forward as rapidly as possible with the development of industries in the private sector and it is only natural that those concerned with these plans, both in Government and outside it, should wish to see our activities expand as rapidly as possible.

You will of course realise that your Board of Directors are not only the custodians of the shareholders' funds but have also entrusted to them a substantial amount by way of loan from Government which has to be repaid in due course. The aims and objects of your Company have been clearly defined and it is realised that these cannot be achieved by being overcautious. Certain risks have necessarily to be taken in all such ventures but these risks must be carefully calculated risks and not risks incurred blindly.

The detailed investigation involved in examining fully all aspects of a project presented to the Company before the Directors are asked to take a decision has also been the subject of criticism on the part of some industrialists who thought that because they had investigated matters to their satisfaction there was no need for further scrutiny on the part of your management and technical advisers and ultimately by the Board. I believe this is not a correct appreciation of the responsibility which we have in coming to a decision.

There has also been recently some criticism that we have so far failed to make use of the $10 million of credit granted to us by the International Bank for Reconstruction and Development--the World Bank as it is commonly known. I have always been of the opinion that this source must be availed of at the earliest possible opportunity and in fact the talks that some of the promoters of this Company had with the officials of the World Bank at the highest level gave us the optimistic hope that further credits will be forthcoming from the World Bank once this amount was fully availed of. The fact, however, remained that so long as industrialists and promoters of schemes presented to us were in a position to get their foreign currency needs in the normal way they were not willing to take loans in foreign currency from us. In fact there was no application before the Board for foreign currency facilities and the resources of local currency not having been exhausted there was no need to turn to the World Bank and utilise the line of credit open to us.

The situation has now altered as the result of shortage of foreign exchange. Since the announcement by Government of the new policy regarding the provision of exchange for imports of capital goods we have received a number of enquiries for loans in foreign currency and we expect to present some of these proposals to the World Bank in coming months.

Your Company has been established to promote the development of industries in the private sector and I feel it would not be inappropriate if I were shortly to refer to the position which the private sector occupies today in the economy of the country and what its future is likely to be. The position of and the prospects for industrial development in the private sector has undergone substantial change since 1954 when the establishment of your Company was decided upon. In my Speech at the last Annual Meeting I stated it will be evident to everyone that if the establishment of new industries and the expansion and modernisation of old ones in the private sector is to be successfully undertaken it is necessary that all interested in the economic and social progress of the country should avoid a continuing series of shocks to the investing public. I referred to a feeling of uncertainty among

the investing public caused by a series of measures that had been adopted. Anyone conversant with the establishment of industries in the private sector would realise that the very high level of taxation has had a dampening effect on such enterprises. The Budgets of 1955 and 1956 and the supplementary Budget have raised rates of Income-tax, Corporation-tax and Super-tax, have imposed dividend, bonus issue and capital gains taxes and have introduced the much debated deposit scheme covering both past and current profits. It has also been freely stated that more rigorous measures of taxation are in the offing and may be introduced in the coming Budget.

Observations about the effects of high taxation on enterprise have been answered by reference to the substantial amount of development which is currently taking place in the private sector. I would like, however, to point out that the current development in the private sector represents in the main the consummation of earlier plans.

Both the Government and the public realise that it is absolutely necessary if the standard of living of the people should be raised that greater industrialisation should take place in the country, that funds should be available for such industrialisation whether in the public or the private sector and that both sectors should function in a complimentary manner if the purpose which Government has in view has to be fulfilled. I hold the view, however, unorthodox it may be, that proper development of industries in the private sector would lead to a snow-ball effect gathering more and more momentum by the utilisation of resources saved so as to make further industriaiisation possible, whereas there is not the same result or even the same incentive in public enterprises promoted by the State. A very high level of taxation which may produce more money to the State partly for promoting social amenities and partly for investing in public enterprise will have an atrophying effect on private savings and thus on the development of industries in the private sector. There seems to be a realisation on the part of the authorities that their taxation policy has seriously crippled the resources of Indian capital. The change in the policy of the Government regarding the extent to which foreign collaboration in the capital structure of a company can be permitted is a recognition of the shortage both of Indian capital and of foreign exchange. This more flexible attitude of Government towards foreign capital is a welcome sign, which will be appreciated by all who are interested in the industrial development of the country.

I do not want to elaborate any further on the many aspects of industrialisation in the private sector with which we are mainly concerned. The chairman of various industrial companies have made observations on the present situation and I venture to think that some at least of these gentlemen have done so not merely with a view to criticising Government policy or questioning the accepted social pattern of society but have done so with the genuine desire of bringing to the notice of the Government the considerations which they believe may jeopardise the very objectives of the Government.

Turning now to our own Accounts you will see that after meeting the heavy demands of Income-tax which require over Rs. 15 lakhs out of our net income of nearly Rs. 37 lakhs, we have for disposal, including the balance of Rs. 7 lakhs and odd brought forward from last year, a total of Rs. 23.31 lakhs. From this your Directors have appropriated Rs. 5 lakhs to General Reserve making, with the Rs. 5 lakhs provided last year, a total of Rs. 10 lakhs. A Dividend at the rate of 3-1/2 per cent free of income-tax for the year is recommended absorbing Rs. 17-1/2 lakhs and leaving a little over Rs. 6 lakhs to be carried forward to next year.

In recommending this first Dividend your Directors have had in mind that many of those who invested in our shares have looked for an early return and I would remind you that this Dividend represents a gross return of over 4-1/2 per cent on the share capital. I need not repeat what I said last year about the necessity of building up a substantial Reserve. As our profits grow we must constantly bear this need in mind. However careful we may be we shall not always succeed in avoiding losses, for which due provision must be made.

Our position remains very liquid but, provided the projects we have agreed to assist by way of Rupee loans or Investments are not held up as the result of the shortage of foreign exchange, the figures at the end of the current year are likely to show a very different picture and we shall be continuing our thoughts, to which reference is made in the Directors' Report, of the means by which our Rupee resources can be augmented when the need arises.

You will see that we have adopted the unusual course of giving full details of investments actually made and loans actually disbursed. The reasons for this change are set out in the Directors' Report. It seemed undesirable to confine ourselves to the minimum requirements of the Companies Act since this would have given an unbalanced view of our activities. Before I pass to the normal business I should say something about our prospects. Given reasonable opportunities and reasonable operating conditions I see no reason why this Company should not continue to expand on the sound basis which I believe we have established but much will depend on Government policies and the availability of foreign exchange in the provision of which we shall, with the help of the World Bank, play our part.

Before concluding I have to inform you that two senior officers have been appointed in the course of the year, Mr. Parekh who has been appointed Deputy General Manager and Mr. Johnson who has been appointed Technical Adviser. The addition of these two officers has somewhat strengthened the administrative organisation of the Company but I am bound to state that we still need additional senior officers if the work of the Company is to proceed in the way desired by the General Manager and your Board.

I would like to thank the officers and staff of the Company who have done hard and strenous work during the year under review. The nature and extent of that work is not reflected by the number of applications which the Board has ultimately sanctioned but by the number of applications received and examined. In respect of many of these constant advice has been sought and freely given; several are undergoing further scrutiny before final consideration by the Board. I would like to pay special tribute to the General Manager and the Deputy General Manager who have both devoted themselves with great earnestness to the onerous duties that they have to discharge.

COMPANY AFFAIRS

THE CENTURY SPINNING AND MANUFACTURING CO., LTD.

It redounds to the credit of the Century Spinning and Manufacturing Company that it has been able to disclose excellent results during the year 1956 although it had to contend with disturbances, following the publication of the States Reorganisation Committee's Report, even occasioning, in some cases, the closure of mills. Thanks to the smooth and efficient working of the Company, it has been able, subject to donations, depreciation, managing agents' commission and taxation, to show a gross profit during the year 1956, of Rs. 99,88,834 as against Rs. 88,71,711 in 1955. It is significant to note here that this has been possible even against heavy odds, like the increase in excise duty on cloth from March 1, 1956 and a further additional increase in September 1956, which adversely affected the offtake of cloth.

Provisions have been made higher as compared to the previous year. Thus, donations claimed Rs. 3,24,410 against only Rs. 1,06,830. Depreciation has been more than doubled at Rs. 30,80,600, while Managing Agents' Commission had gone down to Rs. 6,15,511 as against Rs. 7,55,123. Provision for taxation is only Rs. 3,11,538 against Rs. 31,00,000. No special provision has been made for reserves, but Rs. 55,00,000 has been taken to the Development Reserve.

The total dividend was maintained at Rs. 22 per share which absorbs Rs. 24,07,416.

The Company's sales during the year, including rayon yarn, fetched Rs. 7,90,31,805 as compared to Rs. 8,25,73,163 in the previous year. Stocks at the close of the year have been valued at only Rs. 1,82,21,899 as compared to Rs. 2,00,96,451.

The Rayon Factory at Kalyan (near Bombay), started production in September 1956. The work on the expansion of the Rayon Plant to a capacity of 12 tons per day is fast progressing. Meanwhile, a large part of the necessary machinery ordered out for the expansion has already arrived.

THE GOLD MOHUR MILLS, LTD.

The Company's trading profit for 1956, after allowing for depreciation and taxation at Rs. 6.25 lakhs and Rs. 4.70 lakhs respectively, amounts to Rs. 12,49,421. Together with the preceding year's credit balance of Rs. 36,368 brought forward, it totals Rs. 12,85,789. From this amount, the Directors have appropriated Rs. 1 lakh to general reserve account. A sum of Rs. 43,000 has been appropriated to development rebate reserve and another Rs. 2.35 lakhs to retiring gratuity reserve. From the balance, a dividend of Rs. 15 per share, free of income-tax, has been proposed which absorbs Rs. 7.50 lakhs, leaving Rs. 1,57,789 as net balance to be carried forward.

According to the Directors, prices and deliveries of cloth, for the first eight months of the period under review, were satisfactory. In the latter part of the year, however, these declined, coincident with the increase in excise effective from September last. For the Company, the additional amount of excise as a result of the increase has been estimated at Rs. 23 lakhs a year.

BRAITHWAITE AND CO., LTD.

After providing for depreciation and sundry charges, the Company's trading profit for 1956 stands at Rs. 30,43,096, a little over Rs. 3 lakhs more than in 1955. The net profit, after providing for taxation at Rs. 15.70 lakhs (against Rs. 13 lakhs in 1955) is Rs. 14,78,096, again a little more than in the previous year. After adding the credit balance brought forward, etc., and after charging Rs. 2,12,242 for super-tax payable on the issue of bonus shares, the balance available for distribution is Rs. 25,29,194.

The dividend for the year has been stepped up to Rs. 2 (Rs. 1-12 in 1955) absorbing Rs. 11,31,958. An amount of Rs. 11,97,937 has been recommended to be transferred to general reserve, leaving Rs. 1,99,299 to be carried forward.

THE PUNJAB NATIONAL BANK, LTD.

For the Bank, the year 1956 was one of an expanding banking service through its 341 offices in India and abroad. The working results are highly satisfactory inasmuch as the year's profit at Rs. 87,85,164 is substantially more than the previous year's figure of Rs. 64,41,068. Adding to the profit Rs. 2,35,108, being the amount brought forward from the preceding year, it totals Rs. 90,20,272. From this, the Directors have transferred Rs. 27.50 lakhs to provision for income-tax and an equivalent amount to reserve fund (statutory). For bonus to staff, Rs. 13 lakhs has been transferred to that account. Charity account and gratuity to staff have got Rs. 1 lakh each. Towards the payment of an ad-i interim dividend at Rs. 2 per share, free of income-tax, Rs. 7 lakhs was appropriated.

From the balance of Rs. 13,20,272, a dividend at Rs. 2 per share, free of income-tax, making the total at 16 per cent per annum has been recommended by the Directors, absorbing Rs. 7 lakhs. The balance of Rs. 6,20,272 has been recommended to be carried forward.

THE PODAR MILLS LIMITED

The working of the Podar Mills Ltd., for the year ended December, 1956, has resulted in a profit of Rs. 10 lakhs after providing Rs. 3,52,500 for payment of Bonus to the employees for 1956, Rs. 1,25,000 for Depreciation on Plant and Machinery and Rs. 1,07,000 for Managing Agents' commission.

Out of the profits, the Directors have provided Rs. 4 lakhs for taxation. The dividend has been maintained at the previous year's figure of Rs. 4 on Preference Shares and Rs. 12 (including Bonus) on Ordinary Shares. A sum of Rs. 4,72,683 has been carried forward against Rs. 3,92,677 brought in.

Sales of cloth and yarn amounted to Rs. 1,40,78,971 and Rs. 20,92,475 respectively during the year. Stocks of cloth and yarn at the end of the year stood at Rs. 15,20,240 and Rs. 3,18,011 respectively.

THE EASTERN ECONOMIST

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THE Manager,
THE EASTERN ECONOMIST LTD.,
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COMMODITY NEWS AND NOTES

RAGI PRODUCTION GOES UP

The All-India Final Estimate of Ragi for 1956-57 puts the current year's area and production of the crop at 5,674,000 acres and 1,914,000 tons respectively, as against the Partially Revised Estimate of 5,693,000 acres and 1,820,000 tons for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 94,000 tons or 5.2 per cent in production during the current year as compared to last year, despite a small fall of 19,000 acres or 0.3 per cent in area. Despite the decrease in area, there has been increase in production of Ragi during the current year. This increase in production has been attributed to favourable seasonal conditions during the growing period of the crop.

MORE PRODUCTION IN KHARIF JOWAR

The All-India Second Estimate of Jowar for 1956-57 puts the current year's area and production at 39,839,000 acres (kharif and rabi crops both) and 4,516,000 tons (kharif crop only), respectively, as against the corresponding Adjusted Estimates of 41,174,000 acres and 4,312,000 tons for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows a decrease of 1,335,000 acres or 3.2 per cent in area under Kharif and Rabi Jowar and an increase of 204,000 tons or 4.7 per cent in production of Kharif Jowar only during the current year as compared to last year.

MORE ACREAGE UNDER LINSEED

The All-India Second Estimate of Linseed puts the current year's area at 3,052,000 acres as against the adjusted Second Estimate of 2,765,000 acres for 1955-56, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 287,000 acres or 10.4 per cent in area over last year. The increase in acreage during the current year has been reported by all the Linseed Growing States except West Bengal and Punjab. This increase has been more marked in the case of Bombay, Madhya Pradesh and Bihar and has been attributed generally to favourable weather at the sowing time.

MORE ACREAGE UNDER RABI PULSES

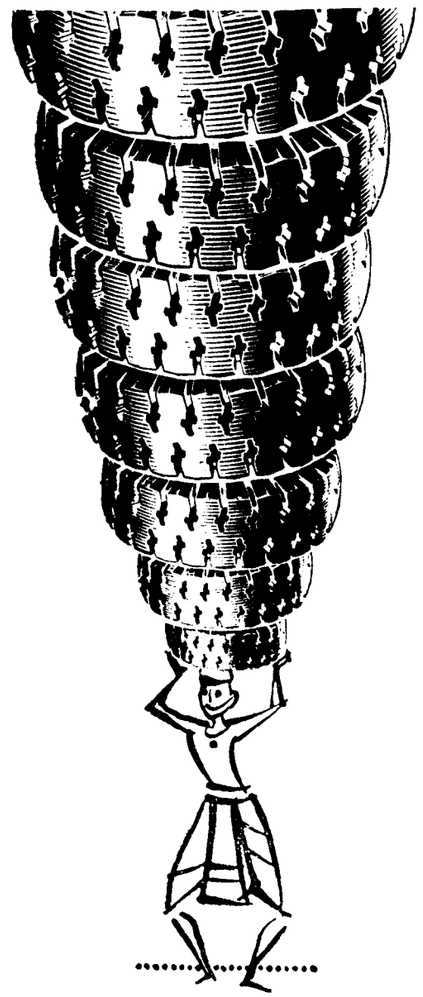
The All-India First Estimate of Rabi Pulses other than Gram and Tur for 1956-57 puts the current year's area at 9,827,000 acres as against the corresponding Adjusted Estimate of 9,237,000 acres for 1955-56 according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. This shows an increase of 590,000 acres or 6.3 per cent in area during the current year as compared to last year. The increase in acreage during the current year has been shared by Bihar, Madhya Pradesh, Uttar Pradesh, Punjab, Bombay, Rajasthan and Delhi and has been attributed generally to favourable weather conditions at the time of sowing.

INCREASE IN RAPE AND MUSTARD PRODUCTION

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India second estimate of rape and mustard for the year 1956-57 puts the current year's area at 2,682,000 acres, as against the adjusted second estimate of 2,564,000 acres for 1955-56. This shows an increase of 118,000 acres or 4.6 per cent in area over last year. The increase in acreage during the current year has been shared by Punjab, U.P., Bihar, Madhya Pradesh and Bombay and has been attributed to favourable climatic conditions at the sowing time. This increase has, however, been offset to some extent by the decreases reported mainly by Rajasthan and West Bengal.

SYNTHETIC DIAMONDS PRODUCED IN THE U.S.

A man-made material that is just as hard as diamonds, if not harder, has been produced in the United States by the General Electric Company. Called borazon, the new material is said to be the hardest substance ever made by man. It is created by the use of tremendous pressure and heat. It can scratch a diamond and is able to stand heat that will burn up a diamond. If borazon can be produced in adequate quantities at a reasonable cost, it may take the place of diamonds as a cutting material in industrial processes. Diamonds are limited in quantity, expensive ($6,000 a pound), and virtually all of them are found in Africa.



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Chairman's Speech

THE PUNJAB NATIONAL BANK LIMITED

110th Ordinary General Meeting held on Saturday, 27th April, 1957.

Shri S. P. Jain Reviews Economy

Commercial Banks to Collect Rural Savings and Extend Credit to Cultivator.

Gentlemen,

I extend to you all a hearty welcome to the 110th Ordinary General Meeting of the Bank.

The past year has been one of outstanding progress for your Bank with profits, deposits, advances and foreign exchange business touching new peaks.

BALANCE SHEET, 1956

The Accounts show a profit of Rs. 80.20 lakhs including Rs. 2.35 lakhs brought forward as against a profit of Rs. 69.40 lakhs in 1955. This profit has been arrived at after provision for contingencies. After transfers—Rs. 27.5 lakhs to taxation, Rs. 27.5 lakhs to Reserves, Rs. 13 lakhs for bonus to staff, Rs. 2 lakhs for gratuity to staff and charity—the Board has proposed a final dividend of Rs. 2 per share in addition to the interim dividend of Rs. 2 per share. This raises the rate of dividend to 16 per cent per annum. It has been proposed to form a Trust under which a fund will be built up by annual appropriations from profits for gratuity benefits to employees.

DEPOSITS

The working capital has risen by Rs. 28 crores to Rs. 141 crores registering 2½ times increase over 1950. Against our paid-up capital of Rs. 87.5 lakhs, our reserves stand at Rs. 1.25 crores including the share premia amount of Rs. 37.5 lakhs. Deposits rose to Rs. 106 crores registering an increase of Rs. 16 crores during the year against Rs. 14 crores in 1955. It will be noted that the quantum of increase in the total deposits of all scheduled banks in 1956 declined as compared with 1955. The growing confidence of the public in your Bank is reflected by the fact that of the increase in the deposits of all scheduled banks in 1956, 20 per cent was gained by the Punjab National Bank. Your Bank did not make any general increase in the interest rates and the cost of money remained, therefore, steady in the year under review.

LIQUIDITY

The figures on the assets side indicate a strong liquid position. Cash in hand, bank balances, money at call and short notice and investments aggregate Rs. 59.3 crores constituting 55.7 per cent of the deposits. If the bills discounted and purchased amounting to Rs. 8.77 crores are added, we have a total of Rs. 68 crores raising the ratio of our liquid assets to deposits to 64 per cent.

LOANS

Our loans and advances show an increase of Rs. 12.84 crores from Rs. 42.02 crores in 1955 to Rs. 54.86 crores in 1956. There has been 31 per cent increase in our advances. Our efforts to step up advances to meet the developmental needs are continuing and we are strengthening our organisation to that effect both in the Head Office and in the field.

FOREIGN EXCHANGE BUSINESS

You will be glad to know that there has been rapid increase in our Letter of Credit business. "Acceptances, endorsements, and other obligations" which are mainly in connection with foreign exchange business amounted to Rs. 13.4 crores in 1956 as compared with Rs. 6.53 crores in 1955 registering 100 per cent increase.

BONUS SHARES

Your Bank's application for issue of bonus shares about which I had mentioned in my review at the last meeting is still pending with the Finance Ministry. The required permission should be obtained before long, because your Bank's issue is against share premia which are but receipts of capital from the shareholders themselves.

BRANCH OFFICES

Our network of branches continues to expand. With the opening of 14 branches during the year, we have 340 offices including one office in Rangoon and two in Pakistan. The demand for lockers was well sustained and we are continuing to develop this business. You will be glad to know that the Head Office building in New Delhi is coming up and will be complete in about a year for occupation. The removal of the Head Office to New Delhi will meet the convenience and wishes of a large number of the Bank's customers. With regard to branch offices also, we are trying to improve the premises and follow a policy of progressive extension of service to the public. In this connection, our expansion programme is also receiving careful consideration.

TIGHT MONEY

The problems of the banks during the last year were the consequences of the problems that faced the country. What have agitated all minds are the acuteness of finance for domestic needs as well as to pay for imports and the rising trend of prices. There were the large needs for development, imports of steel, capital machinery etc. There was an increase of Rs. 158 crores in advances and bills against an increase of Rs. 77 crores in deposits. The banks had to resort to increased borrowings from the Reserve Bank, liquidate a small part of their investments and reduce cash balances to meet the demand. Shri T. T. Krishnamachari, the Commerce Minister, on taking over the Finance portfolio was confronted with the serious problem of credit for trade and industry and the limited capacity of the commercial banks to meet the same. Living up to his

reputation for prompt and dynamic action, the Finance Minister had consultations with banks and representatives of industry along with the Governor of the Reserve Bank and liberalised the bill market. This very largely assisted the commercial banks to meet the demand for funds from industry and commerce and Shri T. T. Krishnamachari rightly earns the credit for the easening in the otherwise tight situation. The higher money cost aimed at curbing inflation in India has had no significant effect. Similar is the experience in the UK and they are in the process of reversing gears. The gilt-edged market has been adversely affected and but for the open market operations which induced confidence, there would have been a greater drop in prices. The stamp charges and higher interest rates raised the cost of money to banks. The banks had to incur the stamp charges on bills even when the bills were not ultimately fully utilised. The stamp charges could have been covered if at all necessary in the interest rates. The cost of money from the Reserve Bank induced the banks to raise their interest rates. This affected money already with the banks and pushed up its cost in large commercial centres. New money was not attracted to banks from small investors and mofussil areas.

RISE IN PRICES AND DECLINE IN AGRICULTURAL PRODUCTION

The second significant economic trend as regards rise in price levels was characterised as inflationary arising from large developmental expenditure. In the White Paper published in March, the Finance Minister has analysed that the rise in prices has been basically due to declining agricultural production. There has been some complacency in this respect due to the comparatively comfortable position in regard to agricultural supplies at the end of the first Plan. The White Paper states: "The success of the Plan, it is apparent, would turn largely on the realisation of the targets of agricultural production. Apart from the obvious effect of agricultural production on prices and on the balance of payments, the flow of savings in the economy also depends to a significant extent on production in this sector. Scarcity of food grains and agricultural products in India often leads to relatively sharper increases in agricultural prices than in the prices of manufactures and this in turn leads to a redistribution of national income away from both the fixed income groups and the investing classes". This has been the crux of our problem.

FOREIGN EXCHANGE SCARCITY & DEFERRED PAYMENT TERMS

The foreign exchange scarcity is another serious problem to be effectively tackled. The difficult foreign exchange position arising from developmental activities is being understood and appreciated the world over. The appearance of this scarcity condition earlier than expected only confirms that the rate of development has been faster and larger than planned. The position was also aggravated by higher prices of capital equipment and increased transport cost due to Suez crisis. The deferred payment system that has been evolved is of course very costly but it is a screening process by itself. Projects which are not adequately remunerative will not be proceeded with immediately and foreign exchange expenditure to that extent will be automatically curtailed. Representatives of capital exporting countries abroad who have visited our country after the announcement of deferred payment scheme have understood and appreciated the value and desirability of such a scheme. Our efforts in the direction of rapid economic and industrial development are also appreciated. In order, however, that import of necessary equipment in line with the policy enunciated by the Government takes place, certain institutional facilities have to be arranged for. They are (i) the coverage of fluctuations in foreign exchange beyond normal trade risk by Government or any Government agency, (ii) underwriting the risk or giving some acceptable guarantee to the overseas seller (iii) association or institution formed by a combination of manufacturers in industries of national importance should be able to obtain financial assistance for development from institutions like the World Bank, International Finance Corporation etc. It will be necessary for the Finance Ministry and the Reserve Bank to work out details.

MAGNITUDE OF SECOND PLAN AND STANDARD OF LIVING

The second Plan aims at increasing the national income by 1961 to Rs. 13,480 crores from Rs. 10,800 crores. The rise in the national income at the end of the Plan is of the order of Rs. 2,680 crores. Against the present saving of Rs. 800 crores, we have to save Rs. 1,482 crores. The increase in our savings for reinvestment and development will be Rs. 682 crores against a national income increase of Rs. 2,680 crores. Thus three-fourths of the additional income viz., Rs. 2,000 crores, will be available for sustaining a higher standard of living. If our effort is not of the magnitude planned, our national income will not go up as envisaged. If our national income does not go up as targeted, the quantum available for consumption will be curtailed with its consequence on the standard of living. What we have to fulfil is no doubt a big task but we have to gear ourselves to the best effort.

RURAL SAVINGS AND BANKS

More funds are needed by both the public and private sectors. There has to be a proper apportionment of the available resources if the overall economic activity has to be stepped up. The tax policy of the Government has to be such as to leave savings in the hands of that class of society which has the habit of saving for investment. While there has been more expenditure in the rural sector, the burden on the urban sector has been increasing. As the Taxation Enquiry Commission has stated: "The per capita tax is uniformly and distinctly higher in urban than in rural areas. The per capita Central taxation in the urban sector is a little over two and a half times the rural estimate while the State taxes come to nearly three times". Vast sums of money are thus diffused and not drawn into the money stream.

The Commercial banks have to organise themselves to collect money from the unorganised sectors and supplement their deposits through other facilities. In large towns there is already keen, rather unhealthy, competition. The current deposits are being converted to Call deposits which were paid higher interest rates. This does not create any additional money but only makes the money dearer. The commercial banks have, therefore, to expand their activities in the rural areas either directly or through the agency of subsidiary or small banks. To a large extent, the success of this effort will depend on the policy and support of the Government of India and the Reserve Bank. Fortunately, we have at our helm a Finance Minister who is bold and who has ideas and vision. The greater the difficulty of a problem the greater appears to be his resourcefulness and courage. The new Reserve Bank Governor, Shri H. V. R. Iyengar has intimate knowledge of the problems relating to the development of our economy and is aware of the needs of industry and trade. This knowledge and experience will help him to have a practical outlook in his new task.

In the banks' expansion in the country-side, there are certain factors of primary importance. The Government should provide facilities for security of cash and other assets so that banks may be saved of large expenditure on employment of chowkidars, which forms an appreciable percentage of expenditure in small branches. This may be done by giving instructions to the police authorities to take special care for the safety of the property of banks. Some scheme of co-operative insurance may also be evolved by the banks themselves or through Insurance Companies. Secondly, to enable large banks to open branches, the wage structure for the new offices should be in consonance with the prevailing living conditions in the rural areas concerned and not according to the bank classification.

CREDIT TO CULTIVATOR

The third factor is that the banks should be in a position to cater to the credit needs of the rural areas. It is difficult for the banks to make available such credit from their existing resources. The Reserve Bank is not finding a proper agency in the Co-operative banks to make available the entire money that they have apportioned for supplementing credit to the rural areas. The Co-operative banks are only confining their activities to co-operative societies and, knowing as we do, the weak structure of the co-operative societies, in certain States especially, we should not insist on credit being made available only through them. By commercial banks expanding in the countryside, rural credit will be augmented. The commercial banks may also in turn take the help of agencies which have commercial dealings with agriculturists at present such as sugar factories, ginning presses, rice mills, oil mills etc. The Reserve Bank may lay down a condition at the time of discounting the bills of commercial banks for rural credit that the cost of money to the cultivator should not be higher than what he will have to pay when he obtains credit through co-operative societies. We are under the impression at present that credit through co-operative societies is cheaper. What we find today in many parts of the country is that the ultimate cost of money to the cultivator is 3½ to 4 per cent higher than the rate at which the Reserve Bank makes available the money. When we are keen on increased agricultural production we should use all agencies to make available to him necessary credit at reasonable cost. The utilisation of the commercial banks in this sphere will achieve a dual purpose. The non-monetised sector of the country will be monetised through savings of the rural sector coming into banks. The agriculturist will get organised credit in his effort to increase food production which is admittedly the key to the success of the second Plan. I hope the Reserve Bank will find this proposal worth pursuing.

FINANCIAL INSTITUTIONS

In the growth of new industries, a great handicap is sluggishness in the Stock Exchange. It is difficult for any new enterprise or even the existing ones to raise additional finance through the stock exchange. Therefore, it is important that the financial institutions in the country should carry on a more positive and active role. The Industrial Finance Corporation, the State Finance Corporations and also the Industrial Credit and Investment Corporation have done satisfactorily during the last year. But for meeting the tempo of development in this country they have to do very much more. The present limit of advances at the State level should be increased considerably. It should be brought up to something of the order of Rs. 25 lakhs. All small and medium needs should be met by the State institutions. The State Corporations should be strengthened by additional resources through the Reserve Bank. The Industrial Finance Corporation of India should increase their limit from 1 crore to 2½ crores of rupees. Most of the large industrial organisations today cost us anything between 3 and 8 crores. Money should be advanced when the Corporation is satisfied that the undertaking or project in question is in line with the general policy and pattern of the National Plan. The Industrial Credit and Investment Corporation should also, in my opinion, be more active and finance large industries like non-ferrous metals, chemicals and large engineering workshops are of very great importance. These industries have been left under the second Plan to be developed by the private sector. In this connection, it is heartening that a Refinance Corporation is being formed to utilise the USA Wheat Sales Fund for extending medium term credit. The terms that have been announced are very sound and I am confident that banks will take advantage. It will greatly improve money market conditions and the requirements of industry for expansion will be met considerably.

BETTER CLIMATE AND INVESTMENT PROSPECTS

The industries in this country are, by and large, making reasonable profits and I am confident that with the better atmosphere that may now be created with the removal of the uncertainties when the new budget will come, the share market will improve and the investor will come forward to invest his savings in the industrial projects of this country. The process will be greatly aided if the investors find it convenient to borrow money against their industrial securities whenever money is needed and the advances against industrial shares could be rediscounted by the Reserve Bank. The Finance Minister should come out with a clear cut policy and a four-year budget that will give him the resources that he requires and enable the people to budget as he does and fulfil their responsibilities under the Plan with the resources that they require. I am confident that with the boldness and imagination that he possesses, Shri T. T. Krishnamachari will see that he gets what he requires for carrying on the responsibilities of Government and at the same time creates conditions and an atmosphere under which the people will have the enthusiasm and resources to fulfil a difficult but essential task.

PEOPLE'S GOLD FOR DEVELOPMENT

A suggestion that I would like to refer here is that of the Prime Minister in one of his speeches that the people should give their gold to the Government so that hoarded wealth may be put to use. The Finance Minister should evolve a policy that will induce the people to part with their gold. Even if the Government buys gold at a price higher than the world price the gold stock with the Government will help to strengthen our currency considerably and will enable Government to get money from abroad at more reasonable cost. What the exchequer will lose in the purchase price will be adequately compensated by the large financial resources that could be obtained and by the early development of our country.

Before I conclude, I must express my thanks to all our worthy constituents for their continued co-operation and confidence. I owe more than formal thanks to my colleagues on the Board and the Local Advisory Committees. I would also like to welcome our new General Manager, Mr. A. M. Walker, whose experience with the erstwhile Imperial Bank of India should prove of real value to our institution under the present fastly developing conditions in the country. I must also record my appreciation for Shri R. L. Tuli who has carried on with diligence and ability, the responsible and onerous duties of General Manager till Mr. Walker's taking over. I have also to thank other officers and staff at all levels at the Head Office and elsewhere for their loyalty and sense of devotion to the interests of the Institution.

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CURRENT STATISTICS

Regd. No. D—314.

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 ..	337.8	436.9	343.8	371.2	614.1	389.6	..	..	..	..
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
September 1956 ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October „ c ..	392.5	502.4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November „ c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December „ c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80.4	113.6
February „ c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March „ c ..	402.5	518.0	403.3	384.1	569.8	421.2	89.9	98.9	89.8	111.5
Week Ending ..										
2-3-1957 ..	402.8	516.3	403.2	384.0	574.9	421.2	89.9	98.9	79.8	110.9
9-3-1957 ..	402.4	519.3	403.7	384.2	569.7	421.5	90.0	98.9	80.0	111.9
16-3-1957 ..	402.3	514.1	404.1	384.5	567.9	420.8	90.0	99.0	80.1	111.9
23-3-1957 ..	403.6	520.8	403.8	386.9	567.1	422.0	89.9	98.9	79.7	111.5
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7	90.0	98.9	79.3	109.2
6-4-1957 ..	403.4	514.7	398.8	384.0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513.6	399.6	384.1	565.9	421.0	89.9	99.0	78.7	106.8

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	--	106	---	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	136
1950	298	313	257	132	349	431	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	159	330	161	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	405	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	—	—	356	---	—	145
1956 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	149	144	143
June	342	358	240	141	350	419	399	156	365	151	146	146
July	338	354	244	144	363	436	413	153	369	153	148	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	153
December	340	356	—	151	356	436	—	—	370	—	—	150
1957 January	339	355	—	—	354	436	—	—	372	—	—	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	26-4-1957			19-4-1957			12-4-1957			5-4-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	105-13	105- 6	105-10	106-12	105- 5	105-12	106- 1	105- 0	105- 9	106- 0	104- 8	105- 5
Silver (per 100 fine tolas)	181-14	179 13	180 15	182- 1	179- 4	180- 8	180- 7	178- 7	179- 3	180- 2	177-10	178-14

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The Eastern Economist

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Food: An Exercise in Statistics?

THE accent this week has been on food. In some respects, it has been a frightening emphasis. The most recent reports from West Bengal and Bihar are deeply disturbing. In West Bengal acute food distress has been heightened by the sight of prices, in some areas between Rs. 22 and Rs. 27 per maund with no indication of a fall. It has been noticed, too, that some "surplus" districts have been affected. The West Bengal Government has introduced "test relief" works and has already put about 350,000 people on a modified rationing system. In Bihar there have been what are described as "harrowing" tales of hunger and misery to which much publicity was given at a conference of Thana and Anchal Panchayat executives of Purnea district held at Katihar. These

conditions were described by a Congress M.L.A., Mr. Basudeo Prasad Sinha, who presided over the conference. He explicitely stated that a Congress worker of Zabe-Kusha in Rupauli Thana had informed him that two men had died of starvation. When the cry that men are dying of starvation is raised, it is often difficult to produce chapter and verse; but here is a statement by a responsible Congress member of a legislature, which can be scrutinised by those in authority. In any case, it cannot now be denied, in view of the reports from West Bengal and Bihar, that the food situation is acute and, indeed, has already gone out of control.

It is the more surprising that the Minister of Food and Agriculture, Mr. A. P. Jain, should have chosen Monday this week to produce what has been described as a "cautiously optimistic" assessment of the food situation. There can be few more unsatisfactory conferences than that held by the Food Minister this week. He chose to assert over and over again that the situation was under control, the argument being that he had made substantial "commitments" to Bihar, Uttar Pradesh and Bombay and presumably those "commitments" would be sufficient for the purpose. Meanwhile, figures of production on final forecasts have been released in abundance. If statistics could console and convince, these should have been adequate. Whether or not these statistics belong to that small group of reliable figures on which sound policy can be based, or to that much larger group which misleads more than it instructs, it is clear that the whole of the food picture presented by the Minister must be entertained with very serious misgivings. If the production front was anything like as satisfactory as Mr. Jain's statistics suggest, the rise in rice and wheat prices cannot be substantiated. As between the statistical theory woven by the Ministry of Food and Agriculture and the hard facts in the field, one might be excused for repeating the cynical observation that an ounce of fact is worth a ton of theory.

In this particular case one can also be permitted the observation that this year our agricultural forecast statistics have varied so much as to indicate that one or other of recent forecasts must be in error. In a Special Article in this issue an analysis is made on the basis of the latest official statistics. It will be seen that, even on the official rendering, there is cause for concern. The availability of food grains per capita does not show any rise, and the presumption must, therefore, be that the supply position is not better than last year, while demand per capita is probably rising with increased purchasing power all over the country. Irrespective of the official statistics the situation cannot be treated except as one of relative shortage. On the other hand, one can certainly choose to be pessimistic on the statistics. Consider, for example, the second forecast for rice for 1956-57. This forecast places rice production at 24 million tons; to be precise at 23.9 million tons. The final forecast which has just been released estimates it at 28.1 million tons or a rise of 4.2 million tons or over 16 per cent of the original figure. It is not known whether this rise is based on another method of computation or on village reports. Whether it is or whether it is not, the two forecasts placed so close to one another should not differ by as much as 16 per cent if they are both to carry conviction. Again if the method is the same, why should the final forecast always be statistically superior? There are also non-statistical factors operating against an improved final forecast. Some crops, though perhaps not rice in large measure, were injured by the hailstorms in April. One might have expected the final forecast to take account of this fact. If it does not, surely the statistical sample for crop-cutting has been inadequate. So, in respect of wheat, it seems to have been.

Whether this view or that on the statistical front is credit-worthy, surely one can claim that the evidence on prices has to be marshalled with the same care as the evidence on production. It might be indicated that a "surplus" of 3 to 4 million tons of rice in the monetised sector would be absolutely decisive on prices. By all experience based on 1953-54 and 1954-55 events, if the rice crop was of the order of 28 million tons, we would have had a collapse in all forward rice prices. The fact that prices continue to harden and desperate scarcity has been seen both in Bihar and West Bengal makes one wonder whether or not the engines of statistics which the official authorities employ for production, but not for pricing, are not heavily biassed one way. If random sampling is good for production estimates, why is it not used equally elaborately to measure price changes? The new metaphysic is invoked, it seems, on a highly selective basis.

The situation is full of gravity. In the first place, a seasonal factor operates in food grains between April and September which may raise the level at its peak about 10 or 15 per cent above the figure at the last week of April. Secondly, the deficit financing contained in the Budget for 1957-58 will certainly involve a heightening of all prices, at the time the deficit financing is actually invoked. Thirdly, with the transport system heavily overloaded, it seems almost impossible to move food grains freely in quantities adequate to relieve growing distress. Fourthly, and not least of all, the Food and Agriculture Ministry has fallen on evil days, losing at once both the capacity to inspire confidence and the technical skill in manipulation which distinguished this Ministry in the great days of Rafi Ahmed Kidwai.

It would be good for the Ministry of Food and Agriculture to recall both the precept and example of its departed Minister. Rafi Ahmed Kidwai would reject his own agricultural statistics and go into the fields to find his facts. He would then initiate a policy which confounded his statistics; he was big enough to prove himself wrong. It is this unselfish pragmatism which we need; not statistical niceties. Let there be no foolish worship of the idols of the statistical world which five years ago were proved to be unworthy, and, indeed, the heavy instrument of ignorance. We need again something like the imaginative touch of Rafi Ahmed Kidwai. One of the great tragedies of the Indian situation today is that Delhi cannot find his like. Of course, genius is not for everyday and Providence, in its wisdom, has made genius mortal. But surely, when genius departs it leaves its footprints on the sands of time. Unhappily there is no mark of Rafi Ahmed Kidwai in the Ministry of Food and Agriculture. Who will now deliver us from the bondage from which he gave us, for three fitful years, happy release?

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Jordan and India

PERHAPS realizing that national self-interest is more important than nebulous pan-Arabism, King Hussein of Jordan has moved swiftly to put his country's affairs on a realistic basis. His summary dismissal of Mr. Nabulsi's Government followed by an abortive expedient of a coalition, including the head of the former Government, has led to a Government of Independents headed by a well-known veteran liberal, Mr. Hashmi. To give a breathing space to the new Government martial law was enforced.

Swift action may, however, look, but actually not be, conclusive. Nothing has been resolved and nothing substantially has changed in the situation. The political situation continues to be highly volatile and uncertain. In the circumstances, King Hussein may have to hold the reins tight for quite a long time. His main pre-occupation is to keep the Arab Legion loyal to the throne, for which he needs money. The Arab Legion's pay has been overdue since the beginning of the last month. Perhaps it is financial stringency which has induced the King to seek shelter under the American canopy to qualify himself for aid under the Eisenhower doctrine. It was for "pan-Arab" solidarity that King Hussein did not join the Baghdad Pact, dismissed Sir John Glubb, terminated the Anglo-Jordan treaty in January this year, and sacrificed the British subsidy of £12,000,000 per annum. True, Egypt, Syria and Saudi Arabia did promise to make good Jordan's financial loss. Of the three States, however, only Saudi Arabia has so far met its commitment. Syria has not only refused its share but has also sent a bill for the maintenance of Syrian troops in Jordan. Egypt has offered useless credits in blocked sterling balances. This has naturally led to a financial crisis in Jordan which it is believed her two defaulting "allies" would not find unwelcome. When on top of this, the pro-Egyptian and pro-Syrian elements in Jordan began pressing for what they called a federal union with Syria and Egypt, the King could not help being abrupt, which explains his brusque method in sending away the Nabulsi Government. Had the so-called federalists been allowed, Jordan might have ceased to exist as an independent entity.

Jordan is a small kingdom, having been created somewhat artificially by the British without full regard to geographical and economic viability. By its very nature it must depend for its survival on foreign help, at least for some years more, and on the forbearance of its neighbours. With the inclusion of 750,000 Palestinians, 450,000 of them Arab refugees, from Israel in 1948, Jordan came to have in its body politic a highly explosive element. More sophisticated and more powerful than the original inhabitants, the vociferous Palestinians dominate Jordan's politics. Their hero is President Nasser. It is to him that they look for vengeance on Israel and its creators. President Nasser, therefore, could have destroyed Jordan without firing a shot. The disquieting possibility still exists. What has evidently restrained him so far is the attitude of King Saud, who himself is apprehensive of a reduction in reverence for Kings. Syria, Jordan's other neighbour, which might have intervened against King Hussein, could not move for fear of an almost certain counter-move by Iraq. Israel, the Middle East's dark horse, was too pre-occupied with the Gulf of Aqaba to involve itself on its eastern front. Thus Jordan has survived, in the main, because of the peculiar political stalemate that induces hesitation, for different reasons in Jordan's neighbours. But the pattern of circumstances that has helped Jordan may not be repeated and its neighbours may find an opportunity to pounce upon it and pick it to pieces.

Whatever the future of Jordan, however, the fortnight's kaleidoscopic events have brought into relief certain important facts, the most important being the inadequacy of the Eisenhower doctrine. The near-crisis has shown how difficult it is to apply its military provisions. A factional fight, even if it is fomented and led by the Communists, would leave the doctrine unused, since no external aggression will have taken place. In view of the fact that the Kremlin is using pan-Arab sentiment as a means of internal subversion, the Eisenhower doctrine has been shown to be without much value. This makes it necessary for the policy planners in Washington to reorientate the doctrine if the Russian challenge is to be met. Aggression will have to be countered with measures appropriate to this cunning and resourcefulness. Today, when the Middle East has assumed the world's "powder keg" role formerly played by the Balkans, it is essential for India to appreciate the reality: Soviet expansion in this area would neutralize the British base in Cyprus, render the Eastern Mediterranean insecure for the Sixth Fleet, endanger the security of the Suez Canal and expose the area spreading from Turkey to Pakistan. It would be useful also to remember that two-thirds of the world's proved oil reserves are situated in this area.

The most hopeful sign for the free world has been the recent tendency of the Arab leaders, headed by King Saud, and now also by King Hussein to stem the tide of enthusiasm for Russia among their peoples. Indeed, most of the Arab States are aligned against President Nasser on the Communist issue. These States include, besides Saudi Arabia and Jordan, Iraq, the Lebonon, Lybia, Tunisia and Morocco. But it cannot be denied that the problem which opened floodgates for the Communist penetration still remains unsolved: the problem of Israeli-Arab relations.

Does Jordan have a lesson for India? The answer to the question is bound to be influenced by predilections. There is, however, one thing which emerges clearly. It is that no country, small or big, can afford to ignore the realities of its socio-economic as well as political life. When neutrality enlarges into co-existence with a sinister political partner, seeds of strife are sown. And Communism is both an external as well as internal threat. To humour its patrons and promoters abroad while pretending to contain it at home is to bring about the very situation which many neutralists seek to avoid. They become involved, howsoever indirectly, in the actual struggle for world power. It was no accident that the recent general elections in India revealed Communism even in its domestic guise a highly respectable creed; true, India is economically not as weak as Jordan or any other country in the Middle East. But we are yet far from economic and emotional stability, which makes co-existence an explosive ingredient in our body politic. Perhaps India really has an appropriate lesson to learn from Jordan's experience. We may one day like Jordan be facing a real Communist threat; it will be all the worse if it comes from within.

The Refinance Corporation

THE Refinance Corporation promises to make a positive addition to institutional agencies for the provision of industrial finance. Considering the growing volume of demand for credit, their resources are patently too inadequate. It is not on this ground alone that the proposal for the formation of the Corporation is to be welcomed. For a country which is embarking on a vigorous programme of industrial expansion, the absence of an organised agency for the supply of medium term credit is certainly a vital gap. The main significance of the Corporation lies in the role which is to be assigned to it to cater to this type of accommodation. It will be presumptuous to assume that the Corporation will close the gap. But it will surely not be unrealistic to expect that it will lay a sound and broadening base to cope with this expanding demand.

The Corporation ought not to be viewed from a narrow angle as an entrant going to swell the number of industrial credit institutions. It claims a distinctive character of its own, seeking to provide a special channel for rediscounting of industrial bills. Its purpose is thus to extend cover to credit agencies dealing directly with industrial borrowers on a medium term basis. The choice of the lending agencies is yet to be finalised, but the Government as sponsor of the Corporation has left no doubt whatsoever that its preference in the first instance is clearly for the commercial banks. The second five-year Plan has placed new obligations on commercial banks to reorientate their credit policies and there is now a growing volume of opinion among leaders of banking in this country that commercial banks ought to make a start in accepting responsibility for medium industrial credit in a limited measure. Such a bias would not constitute a radical departure from their recent policies. Participation in the provision of industrial finance in a modest degree in the form of direct investment or credit has now become an integral part of their normal business. This participation is obviously restricted to short periods by virture of the character of the resources of commercial banks.

A definite change in the nature of credit extended by commercial banks to industry is thus establishing itself. It cannot, however, be interpreted as a deliberate switch-over of part of lending resources to medium industrial requirements. A conscious choice in this direction, for which commercial banking is now psychologically prepared, will need as an absolute precondition a solid base of long-term deposits. Hardly 10 per cent of their deposits are repayable after a period of one year or above. Nevertheless, ways and means have to be devised to enable them to face up to the new responsibility which the pressure of industrial credit is imposing on them partially at least. The Chairman of the United Commercial Bank has put in a cogently argued plea for facility for banks to issue bonds with a maturity extending up to six or seven years. The funds to be raised by this technique will form a base for medium term industrial credit. Creation of such a base is a long-term function. In the meantime, the funds of the Refinance Corporation can provide operating ground for the change in lending policies.

In a phase of acute stringency in the capital market, the resources of the Corporation offer some relief. These resources are being augmented and fortified by the proceeds of the counterpart fund to be raised out of part sales of American farm surpluses under the Indo-US Agricultural Commodities Agreement concluded in August last year. In fact, Rs. 26 crores of the fund, which constitute a loan to be utilised for the needs of the private sector in pursurance of the terms of the agreement, have made the establishment of the Corporation feasible. Its share capital of the order of Rs. 12.5 crores is to be divided in fixed ratios, two-fifths being subscribed by the Reserve Bank of India, one-fifth by the State Bank of India and the Life Insurance Corporation each, with the balance of one-fifth being offered at the present time to fifteen Indian scheduled banks and exchange banks. The total resources of Rs. 38.5 crores are to be applied to the provision of lending facilities against loans advanced by the member banks to medium-sized industrial units for medium periods.

The criteria to be applied in granting the cover of refinance have very nearly been settled. The purpose of the loans must be specifically related to selected industries in the private sector in the second Plan. A medium-sized unit with total resources not exceeding Rs. 2.5 crores and a loan to an individual concern with a ceiling of Rs. 50 lakhs for a period ranging between three and seven years are the principal conditions prescribed for eligibility for the rediscounting facility. Member banks will be entitled to use the facility within the limits of quotas varying from Rs. 1 crore to Rs. 3 crores fixed for each on the basis of their share capital. The counterpart fund contribution of Rs. 26 crores will be available to the Corporation for thirty years. Loans from the Corporation will carry interest at the rate of 5 per cent with a margin of 1.5 per cent allowed to the primary lending banks.

The resources of this exclusive rediscounting agency under State ownership are of a modest size which underlines the need for caution against the errors into which most of the industrial finance institutions have lapsed. These errors relate primarily to lack of flexibility in lending operations and of maximum use of funds. The Corporation must be allowed to function with a reasonable degree of freedom and initiative and the danger of relegating it to the status of a State department must be guarded against. It is on this basic issue of vital importance that a major divergence of views has emerged in the current negotiations between the Reserve Bank and the commercial banks for joint participation. In the absence of a positive share in the formulation and direction of policy, the banks are likely to be faced with a situation in which borrowing from the Corporation will introduce an added element of inflexibility in their working. Since the Corporation's dealings will be confined exclusively to the banks, all liability for risks will devolve upon them. Industrial credit is a specialised field in banking which calls for a technical apparatus to investigate the soundness of loan propositions. Commercial banks have to acquire that apparatus. The costs and risks involved can hardly be covered by the margin now offered to them. Nevertheless, the strongest point in favour of the proposed set-up of the Corporation is the solid opportunity it creates for institutional provision of medium-term credit. It must be carried to fruition.

THE WEEK'S NOTES

CONGRESS AND THE MASSES

HOW KEENLY concerned Mr. Nehru is at the declining popularity of his party, revealed by the last General Elections, is no more a secret. In a letter to his colleagues he has dwelt at length on what he believes to have tended to alienate the people from the ruling party. Ostentatious pomp and show generally indulged in by the Congress Ministers and dignitaries have been mentioned by him as some of the causes of the decline in Congress hold on the people of the country. He has, therefore, advised them to take to austerity and to develop "public contact and public approach" to the problems of the country's development.

This is not the first time that Mr. Nehru has warned Congress leaders against shutting themselves in ivory tower offices far removed from the mass of the people. True, when austerity is demanded from the people for the success of the Plan, conspicuous living in high places is inexcusable. But this is not the only — and perhaps even a major — cause of the slump in the stock of the Congress. After all, this diagnosis of the disease fails to answer certain pertinent questions: why is it that the Congress is losing its hold on the masses when they generally support its national and international policies? Why is it that the students and workers are getting increasingly alienated from the Congress? How can the Congress attract young men when older people refuse to accept the corollary to make room for them in legislatures and ministries? It is perhaps because of the partial and superficial nature of Mr. Nehru's diagnosis that his repeated advice and warnings have gone unheeded by his partymen.

The real reason for the decline of Congress popularity is that its members, especially in the middle rung, have deviated from the Gandhian path and ideals. Instead of selfless service of the people, they are indulging in self-aggrandizement and self-advancement. The reputation for integrity that Congressmen enjoyed during the struggle for independence has tended to give place to notoriety for its opposite "quality" (?). It is also an undeniable fact that Congressmen have tended to neglect the masses in their increasing involvement with the Parliamentary activities of the party. It is, therefore, high time that the Congress High Command banned members of Parliament and State Legislatures from holding offices in State or District Congress Committees. Freed from Parliamentary duties, the middle leadership of the party will begin devoting its energy to the popularization of the party programme, cultivation of mass contact and execution of the country's development plans. It will, in consequence, revitalise the party and bridge the gulf between the leadership and the masses.

ECONOMIC CADRE

ECONOMIC AFFAIRS are now in such a state of confusion that it is now being increasingly realised that without foresight and understanding they cannot be tackled in an orderly way. With the extension of State activity in the economic sphere and the continually changing and extensive functions the State is called upon to undertake, the politician and the average civil servant are faced with tasks where mere intuition or rule of the thumb will be of no avail. It is in these circumstances that one finds the demand for the services of those who have the necessary technical knowledge to furnish advice and assistance on many of the contemporary problems requiring a good deal of economic reasoning. This trend is already seen in the incursion into the charmed circle of the higher strata of the civil service, persons with special designations of Economic Adviser, Chief Economic Adviser and so on. A recent report that the Government of India are considering a proposal for the establishment of a regular service cadre of economists and statisticians to facilitate the implementation of the Five-Year Plan seems only to be a logical extension of the process already in evidence.

Some recent experiences of the Planning Commission seem to have underlined the need for a service of this kind which would be of great help in obviating misdirection of efforts and avoiding wastage owing to inaccurate assessment of needs from statistical data. This is a timely move and a step in the right direction because the economic civil servant can make a valuable contribution in policy-making though, of course, the final decisions will lie with the man who takes them. Policy-making can be made easier by first-rate analysis, statistics and the experience the economist can bring to bear and, above all, by his capacity to see the interrelations of different things instead of following a rigid approach of compartmentalism. This, of course, implies that the economic civil servant will have the necessary freedom to advocate and press what he considers to be the best lines of policy on matters in which he is responsible. Policy-making in the context of the Five-Year Plan requires a great understanding of the dimensions of the problems to be solved and the main task of the economist and the statistician will be to provide the essential orders of magnitude of the things at issue — why one objective should be given priority over another and whether available resources are adequate to achieve the particular objective and so on. To fulfil this role an economic civil servant unlike the ordinary civil servant requires greater initiative and latitude and provided these are vouchsafed, there is no reason why the contemplated cadre should not fulfil a lacuna in the economic apparatus of the Government.

WRITER AND THE STATE

MR. TARA SHANKAR BANERJEE, in his presidential address at the Writers' Seminar at Allahabad last week has reflected faithfully the fear and concern of Indian litterateurs about the relationship between the writer and the State. True, there is no immediate danger in this country of encroachment by the State on the writer's work. But at a time when the Government of India is engaged in planned economic development on a gigantic scale, and has, in consequence, begun to impinge upon the life of the citizen, it is necessary for the writer to guard against undue limitation on his freedom. He must also guard against succumbing to the bait of material comfort and yielding up his convictions. The experience of writers in "Socialist Camp" and frequently deplorable standard of their writings should warn the unwary. In such conditions, the writer tends to degenerate into a publicity man for the monolithic State.

The suggestion of the Seminar that All-India Radio and the various Akadamies should not buy outright the copy-right of any work is commendable. Such a measure will not only limit corruption by forcing the writer into the market; it will also allow the work to find its own qualitative level, and enable the writer to reap the fruits of his creation if it happens to be good or popular. In fact, since the various Akadamies are being run as adjuncts more or less of one or the other Government department, it would be desirable to define their activities. The Seminar has realistically concluded that State publishing should be limited to classics, reference books and translations.

Apart from these is the consideration of printing and get-up. Experience in State publication is not encouraging. The States where text book have been nationalised offer evidence of this. In Uttar Pradesh, a good number of Hindi books for secondary schools are incredibly poor, both in printing and in subject-matter. Things are no better in the Punjab, where nationalised books are extremely shoddy in nine cases out of ten. All said, the best way in which the Government could ameliorate the conditions of writers would be by speeding up literacy. This would create a sizable reading public among the country's 390 million people.

CHANGES IN PAKISTAN

THE PAKISTAN NATIONAL ASSEMBLY'S decision to introduce joint electorate in West Pakistan also is commendable. Besides removing the anamoly resulting from joint electorate in East Pakistan and separate electorate in West Pakistan, the measure will help in integrating the various communities into a compact nation, to have two systems in the two wings of the country was, as Mr. Suhrawardy pointed out, a bad advertisement of the country—it proclaimed irreconcilable differences among the people. He rightly asserted that separate electorate was contrived by the Muslims of pre-partition India merely to indicate their rights, for the Muslims formed a quarter of the Indian population, and in certain regions were in the majority. After the establishment of Pakistan the issue of joint electorate versus separate electorate was only of academic interest. Whatever the arrangement it would hardly change the complexion and composition of the West Pakistan Legislature or the National Assembly. Practically all the Sikhs and Hindus have migrated to India from that part of Pakistan.

It may also be mentioned that introduction of joint electorate fulfils Mr. Jinnah's dream of a nationalism based on non-religious factors. When his demand for Pakistan had been conceded, he had declared that Hindus and Sikhs of Pakistan were as good Pakistani citizens as their Muslim brothers. It seems strange, therefore, that the present leadership of Mr. Jinnah's party should stand for separate electorate. They cannot be unaware that their stand can only serve to discredit their country abroad; the implication of their stand is that the Muslims, who are in an overwhelming majority, are either apprehensive of the minority communities in their midst, or intolerant of them. The fact cannot be overlooked that the Hindus of Pakistan, about a fourth of the population, support joint electorate.

SENATOR McCARTHY

DEATH CLAIMED on May 2 the stormy Senator Joseph R. McCarthy, one of the century's most controversial figures. Though a junior member of the American Senate, he suddenly leapt into the limelight in February, 1950, with the allegation that his country's State Department was infested with Communists and fellow-travellers. The mood of the country, profoundly disturbed by the revelations of spying activities of Dr. Fuchs and Mr. Alger Hiss, Presidential aide at Yalta, inclined even sober citizens to get alarmed at the state of the nation's security. Four years later, he became the chairman of the Senate's Permanent Sub-Committee on Anti-American Activities, and thus came to enjoy unprecedented power without responsibility.

In his investigation of alleged Communist infiltration in Government departments and armed forces, Senator McCarthy clashed with President Eisenhower's administration. His career came to a climax in the televised Senate hearings in the row between Senator McCarthy and high army officials and the then Secretary of State of the Army, Mr. Roberts Stevens. Millions followed the controversy during which the Senator charged his opponents with "coddling Communists" and was counter-charged with "black mailing" the army officers into soft-handling his wealthy, young aide, Private David Schine. Following lengthy hearings, Senator McCarthy was brought before the Senate and censured for "obstructing the constitutional processes of the Senate" and for "violation of Senatorial ethics". Politically, this verdict was well nigh a fatal blow to the sardonically witty and sometimes sentimental Senator. By then, even die-hard anti-Communists had come to realize that McCarthyism, too, represented as much a danger to the United States as Communism itself; it not only resorted to kindred methods of investigation but also damaged the country's reputation for a liberal democracy.

It cannot, however, be denied that the Senator from Wisconsin did a great service to his country and the free world by focussing their attention on the danger of internal subversion inherent in the extra-territorial loyalty of a group of men in any country. There can be perhaps no better tribute to the late Senator McCarthy than that he is bound to live as long as the English language will be read and spoken. McCarthyism is now synonymous with intolerance and witch-hunting.

INTELLECTUALS' REVOLT AGAINST COMMUNISM

THE RECENT Congress of the Communist Party of Great Britain has turned out to be one more indication that Communism as practised under Soviet aegis is losing its hold over the intellectuals. Professor Hyman Levy, mathematician and philosopher, referred to the "terrible things" that had happened in the Soviet Union and resigned his membership of the Party as a protest against the "hush hush" policy of its leaders about the situation in Russia. Noted historian, Mr. Christopher Hill, criticised a trend toward authoritarianism, distrust of the rank and file and a fear of discussion even inside the Party. Mr. Brian Behan, a member of Central Committee, described this trend as "witch-hunt". Historical novelist, Mr. Jack Lindsay, accused the Party leaders of living in "a smug little world of their own invention".

Besides this "revolt" of the intellectuals, about 7,900 of the 33,900 members have left the Party since the last Party Congress. This is probably the lowest mark which the Party membership has touched since the Nazi-Soviet Pact of 1939. The main cause for this decline is the Soviet armed intervention in Hungary and the unreserved acceptance of the Soviet version by the Party in defiance of truth as revealed by Mr. Peter Fryer, for a number of years the British Communist Party's ace correspondent, who was in Budapest at the time of the Hungarian revolution.

This disillusionment of the intellectuals of Communism is not confined to Britain alone. In France, the painter, Pablo Picasso, and the Existentialist philosopher-novelist, Jean-Paul Sartre, are reported to be as deeply disaffected. In Italy the disenchantment is even greater. The intellectuals, who had refused to accept the cult of the individual as the cause of Stalin's crimes, have now treated with icy disdain the Soviet version of the Hungarian revolt. They regard both these developments as "part of Socialism". These developments auger well. For it was these intellectuals who had lent a social respectability to the brutal creed of Communism.

What Forum of Free Enterprise Stands for

SINCE the Forum of Free Enterprise came into being with the object of educating public opinion on the values of Free Enterprise and the significant contribution which it can make to the rapid progress of economic development, a great deal of enthusiasm for its cause, and interest in its work has been generated. Along with this, controversy has been provoked as to whether the tenets of Free Enterprise are consistent with the social and economic ends which the country seeks to attain. The Forum is convinced that they are; and in this statement reiterates its attitude towards some of the basic issues which have been raised so that no misconception or doubt on its point of view can be left in the public mind.

Free Enterprise not "Laissez Faire"

We consider that "Laissez Faire" or Nineteenth Century Capitalism has no place in contemporary Indian life. These systems, whatever their usefulness might have been, have outlived it. Today they are as dead as the dodo and can make no contribution to the industrial, social and economic advancement we seek. Equally do we hold that the Marxist approach to socialism through State ownership of the means of production is outmoded in time and thoroughly discredited in practice.

Capitalism of today, or as we prefer to call it "Free Enterprise", operating within a planned economy, is the most alive and the most vigorous economic system in the world. Its motive power is rooted in the fulfilment of the individual, controlled and bounded always by the values and principles of the society in which he lives. Thus, Free Enterprise contributes to the moral and material betterment of society by the voluntarily harnessed efforts of the people which compose it. From this must spring a happier and a richer life for all. Reverse the process by introducing authoritarian planning, which places the State above the individual, and the result will inevitably be confusion, frustration and the loss of liberties.

"The Socialist Pattern of Society"

As far as we know, this phrase has not yet been defined in specific terms. The Forum unreservedly accepts the concept of a fuller and better life for all, equality of opportunity, eradication of unjust privilege; in fine, the establishment of a Welfare State. Indeed we hold that these objectives will be attained more rapidly, more effectively, and with a greater degree of enthusiastic co-operation of the people, through Free Enterprise, than through any other system. Inherent in our acceptance of these social aims is also that of a planned economy, and the common existence and mutual interdependence of a State-controlled and Free Enterprise Sector. What we do not accept is the theory that this State-owned sector should continuously expand until it dominates the national economy, for then, as night follows day, will there be a regimentation of life, totally at variance with India's outlook and traditions, which have always recognised the place and worth of the individual in society.

The Bhakra-Nangal Dam, the Fertiliser Factory at Sindri, the Aarey Milk Colony in Bombay, to take only a few examples, are State achievements which are matters of pride not only to their authors but to the whole country. On the other hand, the Nationalisation of Life Insurance, the introduction of State Trading and the acquisition of the Kolar Gold Fields are equally in our opinion examples of unwarranted State intervention. It is this trend which must be curbed and halted if the free way of life in our country is to be preserved and its economic progress through the democratic processes assured.

The first Convention of the Forum of Free Enterprise was held in Bombay, on April 25, '57 at which many leading industrialists, professionals, and businessmen were present. Write for copies of speeches made by Mr. A. D. Shroff & Mr. M. A. Sreenivasan at the Convention.

Free Enterprise and Scientific Advancement

A good deal has been said recently on the need to avoid obsolescent thinking in this age of atomic power and of breathtaking scientific advancement. It is important that we define our stand on this issue. We believe that the challenge of our times is to evolve a synthesis of these techniques and their effective use by free members of a democratic society. In many ways our country is blessed by the fact that she is embarking on her plans of industrialisation at a time when superb scientific aids are available to her. Possibly for the first time in history conditions prevail when the question of Bread *or* Freedom need not even be asked. For, today, science offers us not only Bread *and* Freedom, but also Speed of attainment thrown in for good measure. It would be a tragedy indeed if this bountiful opportunity were distorted and misconstrued to impose Centralised State Control as the instrument of applying the benefits of science to a regimented society. This and not our approach would be a demonstration of obsolete thinking.

Conclusion

For the reasons which we have given we claim that socially responsible private initiative, or Free Enterprise as we term it, is the most dynamic and effective system available to attain the moral and material ends which all of us so ardently hope for That is why the Forum has pledged itself to the task it has undertaken, and that is why it will continue its effort in the certainty that in our good country the values of Free Enterprise will ultimately prevail.

FE-57-2

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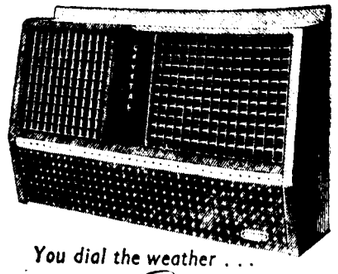
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A Window on the World

INTRODUCTION TO INDIA—1

By

ODYSSEUS

CONFUCIUS (one of my more distinguished predecessors in this commentating business) once said: "The superior man is distressed by the limitations of his ability; he is not distressed by the fact that men do not recognise the ability that he has." True, but this need not mean that a man is compelled to be distressed when someone nods appreciatively in his direction, and since no less an authority than Aristotle lays it down that "Modesty is hardly to be described as a virtue", I hesitate no longer to reveal that in the spate of studies on Indian affairs now being published, the number of quotations from this column, or references to it as a source, causes me no Confucian distress.

A recent example is "Jobs and Workers in India", a handbook on labour problems for students, business men, trades union leaders, and others, preparing to study, invest, or work in India, written by Professor Oscar Ornati, and published by the Institute of International Industrial and Labour Relations of Cornell. (Since this university is situated at Ithaca, I was completely at home when in the course of my Odyssey I was invited there to lecture to a study group on Indian affairs). Professor Ornati concludes a wide-ranging analysis of Indian industrial relations with a chapter in which, offering suggestions for further reading about India, he says "a very interesting listing compiled in India is that of Odysseus in 'The Eastern Economist'. Departing from the premiss that the 'average Briton, and indeed the average foreigner of any nationality in India, knows little of India's history and social background', Odysseus published 'Introduction to India', a series of articles on May 23 and December 12, 1952, and January 9 and 16, 1953". Professor Ornati's friendly reference having caused me to look up my "Introduction to India", I thought that it might usefully be brought up to date. Before doing so, I offer two suggestions and two warnings.

The first suggestion is that although intended as a guide to Indian affairs for the foreigner of good will, it cannot be denied that the average national is often little better informed on the history, politics, economics, arts, and culture of his own country and that he suffers from the additional handicap that whereas the foreigner may feel a certain humility because he knows that he knows nothing, the national may display an abounding complacency because he thinks that he knows all that there is to be known about his own country. The second suggestion is that the enquiring foreigner (or the earnest national) who wishes to learn more of India should not approach the matter as a duty to be conscientiously performed, but as a means of adding to his enjoyment and appreciation of life. The more that you know about the significance of the men, women, institutions, and customs around you, the more significant life becomes to you, the richer your inner resources, and the less dependent you are on such extraneous devices for "taking you out of yourself" as drink and the devil. (If Confucius did not say this, I am profiting by the occasion to fill the gap).

The first warning is that the list of books that I am going to discuss does not pretend to be exhaustive: it is confined to those for which I can vouch from personal acquaintance. The second is that, apart from mentioning three standard works that should be on the book shelf of anyone who claims the least knowledge of India, this is not a repetition but a supplementary list to bring my original "Introduction" up to date.

Repeated from my old list, then, are what I regard as the three best introductory histories: "India From the Earliest Times to Independence and After" by Moreland and Chatterji (Longmans). "The Rise and Fulfilment of British Rule in India" by Thompson and Garratt (Macmillan), and "A Short Cultural History of India" by H. G. Rawlinson.

INDIA WITHOUT TEARS

The newcomer to India who starts off by plunging into serious advanced level stuff, like the Oxford University Press' (excellent) "Legacy of India" edited by G. T. Garratt, will come up gasping for air. He had far better start on something undemanding like "Just Half a World Away" (Hutchison. 1955) by Jean Lyon. This is a well-observed travelogue about people met and places seen on a long tour "in search of the New India". Miss Lyon was ready to accept picturesque local conditions, no matter how primitive, and her anxiety to understand and to enjoy all that she encountered has produced an unpretentious but informative book.

"From the Back Streets of Bengal" (Allen and Unwin. 1955). The first 140 pages offer a worm's eye view of life in the slums of Dacca and constitute a first-class piece of on-the-spot reporting. This is how the poor of Bengal really live. The second half of the book, describing a hasty tour round India, is superficial.

The American Miss Lyon and the British Mr. Llewellyn are fluent professional writers, but they were transients in India. The late Lady Hartog who published "India: New Pattern" (Allen and Unwin) in 1955 lacked their ease of expression but she had the advantage of having spent a life-time in India and of really knowing the country and the people. Her book is a tightly packed guide to independent India covering, at American women's club lecture level, the constitutional background, the parliamentary scene, democracy in action, corruption, the Five-Year Plans, public and private enterprise, food and the population, social life and change, the future of the English language, the refugee problem, and the discreetest chapter on Kashmir that I have ever read. This would be the ideal book to slip at the last moment into the hands of a friend just off to India.

Upgrading ourselves (but not too much as yet), we might next tackle another smooth professional job: "As I See India" (Cassell. 1957) by Robert Trumbull, 'New York Times' correspondent in India 1947-54. Mr. Trumbull offers admirable reporting of scenes that he witnessed and some penetrating profiles of prominent Indian personalities whom he met. His chapters on the civil disturbances of 1947, on the Kashmir quarrel, on his journey into the land of the Nagas with Pandit Nehru at a critical moment, and not least on Pandit Nehru's character, are genuine and original contributions to contemporary history. Unfortunately, Mr. Trumbull's knowledge of Indian history and politicial and social background is patchy, so that his views and

interpretations are often inaccurate or naive. Trust him when he is describing what he saw, not when he is telling you what he can only have acquired at second hand.

"Ambassador's Report" (Gollancz. 1954) by Chester Bowles, US ambassador in India 1951-53, offers (1) a clear and sympathetic explanation of Pandit Nehru's "neutralist" foreign policy which is not always easy for the non-neutralist to understand; (2) a vivid account of things seen and people met, but, again, distrust him when he is telling you what he learnt at second hand from an unsystematic and haphazard reading of books; (3) a frank revelation of the thinking processes of that section of Americans who believe that the best way to ingratitate themselves with Indians is to smear the British. What such Americans need to grasp is that Indo-British relations are a family affair, the intruder into which is likely to attract to himself the resentment of both parties. A foreigner who offered sympathy to a Virginian for the way "those dam-Yankees" had treated his people since the civil war would provoke similar resentment. It is sad to have to pass strictures on one who (on page 303) quotes with approval from this column of April 3, 1953, and shows himself a diligent student of our mellower moments.

ONWARD AND UPWARD WITH NEHRU

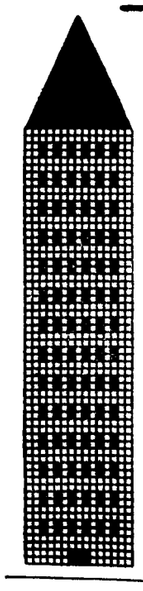
Anyone who has read all the books so far listed can regard himself as qualified for advanced, post-graduate study. My first choice for him now is Frank Moraes' biography of Jawaharlal Nehru (Macmillan. 1956). Mr. Moraes does two things extremely well: (1) As a patriotic Indian, he explains India's domestic and foreign policies with persuasive moderation. He offers an ABC of the Indian viewpoint which should be invaluable to the puzzled Westerner. (2) He provides an interesting and well-documented study of the working of Pandit Nehru's mind.

Candidates pondering a thesis on Pandit Nehru's more obscure vagaries will find Tibor Mende's "Conversations with Nehru" (Secker and Warburg. 1956) a collector's piece, illustrating exactly what 'The Times of India' had in mind when it described the Prime Minister's "flexible" approach with its "distaste for details and penchant for soaring well above the earth, if not into the clouds."

From Pandit Nehru it is a natural step to Gandhiji. The eight volumes of Tendulkar's biography, and the two of Pyarelal's, must be regarded as source material for the historian and as pious monuments rather than as bedside reading for the beginner. For him, I suggest (to be tackled in the order listed): "Mahatma Gandhi," by Polak, Brailsford, and Pethwick-Lawrence (Odhams. 1949). From their different standpoints these three, who knew him well at different periods of his life, make the Mahatma's apparent contradictions comprehensible to the ordinary Westerner. "My Experiments with Truth", Gandhiji's own autobiography, a wonderful document, unfortunately ends with the year 1924. Mahatma Gandhi's writings cover several thousand scattered pages. The best guide to his thought for the non-specialist is "Selected Writings" (Faber. 1951) edited by R. Duncan. To be browsed over, rather than read solidly through, is "Mahatma Gandhi: Essays and Reflections on His Life and Work", contributed by 83 friends, edited by S. Radhakrishnan (Allen and Unwin. 1949).

Next week, we will list some new books covering Indian art, literature, history, and culture generally.

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NEW FORMS OF FOREIGN INVESTMENT

(From Our Special West European Correspondent)

PARIS, May 5.

PROJECTS for European unity and economic co-operation usually get a skeptical reception on this page, so it is good to be able to point to one form of international co-operation on this Continent that is working and promises to have considerable extension in the future. This is the formation by private firms in various European countries of consortiums or even new super-national companies for the purpose of investment in overseas countries. The progress of plans for a European common market has given this new development in the private sector further impetus, because it should make easier the resolution of the intricate taxation and customs problems set by the establishment of super-national companies. In fact, this new line of thinking in the private sector is closely connected with the governmental plans for Euromarket, Euratom, etc., in that it is based on the same argument: that only by pooling her economic resources can West Europe meet the competition of the bigger powers. Since the competition in question is for the supply of capital equipment to Africa, Asia and Latin America, any new ideas in this field are of importance.

Quite apart from the question of pooling European resources to match Russian and American, these new forms of co-operation have interesting economic and political features. Economically, they may offer the best way of reviving the flow of private capital toward overseas investment, because a consortium or international company that draws its membership from five or six Continental countries has a much more hopeful prospect as a borrower, either in the open markets or in the international financial institutions, than any single enterprise. Politically, moreover, such a combine receives a less suspicious reception in sensitive underdeveloped nations. Even the recent unhappy fate of the "Universal" Suez Canal Company does not testify against this latter assertion since the new combines are seeking to retain a more private, and less governmental, character than earlier essays in this direction.

A typical example of these new ventures (although not purely Continental in constitution) is the International Contractors and Suppliers Association, which hides under its anonymous label the greatest industrial consortium ever formed in history. Last month it submitted to the Argentine Government a programme for oil installations that will cost 250 million dollars and which it proposes to carry out on the basis of a simple service contract conceived on purely commercial and technical lines. Argentine public opinion is highly sensitive to the political character of foreign investment, which is not surprising for it has suffered from many contracts of the lion-and-donkey variety; the political disturbances caused by Peron's proposed concession to Standard Oil illustrate this sensitivity. But the international and strictly business character of the ISCA and the terms it has offered have disarmed criticism. French initiative led to the constitution of this giant combine, which has grouped around the original nucleus of the Parisian Schneider group and the American firm Williams Brothers a list of companies which is too long to detail here but which draws members from Britain, the USA, France, Holland, Italy, Belgium and, of course Argentina itself.

But the field in which this type of co-operation promises to develop most is in the exploitation of the mineral resources of Africa, especially within the French colonial empire there. These territories have substantial deposits of oil, iron ore, copper and aluminium. France does not have the capital to exploit them alone. Furthermore, all these areas are making steady progress toward political autonomy and so it is necessary to devise forms of long-term investment that will not be called in question later when they are self-governing. The French have felt that international companies grouping all the countries of Euromarket (including the "non-imperialist" nations) and having a clearly private character offered the best hope, and this was one of the reasons Paris fought successfully to have the overseas territories included in the European common market. When her Continental partners agreed to this (reluctantly, it must be admitted), Paris arranged a tour of the African territories by representatives of the Euromarket countries. That they have returned convinced of the economic possibilities of joint exploitation of Africa is no more important than the fact that during their tour they were well received by African leaders who assured them that they regarded joint private investment as an important step forward from their present colonial economy.

The interest of Continental firms in these areas is of course that they can obtain there supplies of raw materials from sources much nearer Europe than their present suppliers. Iron ore is an example. European resources are already inadequate and alternative sources are distant: India, Venezuela, Brazil or Canada. Ore with a content of 63-67 per cent is available in Mauritania, in French West Africa, but requires for its extraction and transport capital investment beyond the means of France. So an international company, Miferma, has been formed which groups all the West European countries; Italy last week bought her way into it by taking over the shares held by a Canadian Company. It is interesting to notice that the Italian shares will be taken up by a steel corporation which is actually a subsidiary of the State, but this does not alter the private character of Miferma for the Italian corporation participates as one Company among others. Miferma will have to build a 300-mile railway line to get its ore to the sea, and the total investment will be of the order of £45 millions, but it is reasonably expected that, given its constitution, it will have no difficulty in raising a large loan from the international financial organisations.

A similar project is under way for the manufacture of aluminium in French West Africa by a Company that groups French, German, Swiss, Italian and possibly Canadian capital, and African copper deposits are proposed to be exploited in the same way, combining private European capital in a Company that can then approach international lenders for assistance with the construction of transport facilities. Even if the European common market treaty does not produce the degree of economic unity forecast officially, we can expect to see private co-operation of this sort much extended, for West European industry is today thinking "Continentally" more than ever before and can demand from its various governments assistance in resolving the complicated legal and exchange difficulties that beset such forms of joint investment. Even the

West Germans, who are very short of capital (as their dealings with the Indian Government over steel showed), are keenly interested because they are disadvantaged in the supply of raw materials and hope that joint investment in Africa will mitigate their difficulties; but the Germans perhaps more than others have been scared by recent arbitrary treatment of foreign capital by such as Nasser, and would like to see some secure international conventions for the protection of private investments abroad.

The most important element in joint European investment would of course be the co-operation of French and German industry, and it is here that most progress is being made. The legal question of forming companies of mixed nationality is receiving close attention, and it is healthy that the Germans are especially anxious to avoid any appearance of "neo-imperialism" or new East India Companies, and wish to keep Government aid and participation down to a minimum. This growing co-operation at the private level between French and German industry is in fact being duplicated at the official level, for co-operation between the Governments of Paris and Bonn in the matter of research and production of armaments has already gone very far—much farther than is yet realised by public opinion in those two countries.

For those who are skeptical about the formation of a genuine free-trade area on the Continent, it will appear that Britain and other overseas opinion has reacted too timorously to the supposed threats of Euro-market. But in this matter of Continental co-operation for investment in under-developed territories, the danger to British and American capital equipment suppliers cannot be mistaken. Consortiums or companies of mixed nationality that combine the industrial resources of the Continent will be able to make offers to developing countries that cannot easily be equalled by the biggest single nations. For the moment, this Continental effort is directed mainly to Africa, but if it succeeds there it will seek new fields elsewhere—and the recent Italian irruption into the closed Anglo-American preserve of oil production in Iran suggests how disturbing such competition can be when it offers terms considerably more attractive for the borrower than have been the rule to date in foreign overseas investment.

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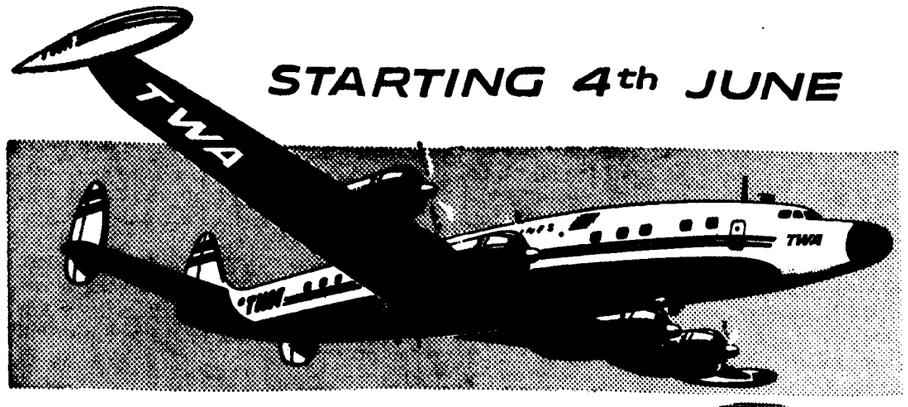
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WORLDGRAM

AGRICULTURE

Second Plan Irrigation Projects in Orissa: Eight irrigation and multi-purpose schemes, which will benefit an area of about 4.64 lakh acres in Orissa State, have been included in the second Five-Year Plan. The total cost of the schemes, some of which will be completed in the third Plan period, is estimated at about Rs. 6.61 crores. Of this amount, Rs. 6 crores will be spent during the second Plan period. Nearly 2.04 lakh acres will receive irrigation benefits during the period. A sum of Rs. 0.10 crores has been earmarked for investigations during the second Plan. The Rs. 4.45 crore Salandi irrigation project in Balasore and Keonjhar is expected to irrigate 1.76 lakh acres during the second Plan period. Expected to be completed by 1961-62 the project will ultimately benefit 3.53 lakh acres. The Salki irrigation project, which will cost about Rs. 0.53 crores, will irrigate 0.45 lakh acres in Baudh-Phulbani district. The project is likely to be completed by 1962-63. Thirteen thousand acres will be irrigated in Puri district when the Rs. 0.43 crore Budhibudhiani project is completed by 1961-62. The Salia project is expected to irrigate 0.26 lakh acres which will include parts of the Puri district. It is estimated to cost Rs. 0.47 crores. About 0.13 lakh acres will be irrigated during the second Plan period. The project is scheduled to be completed by 1961-62.

*

Grow More Food Programme for Delhi: A sum of Rs. 8.68 lakhs has been agreed to for the Grow More Food schemes of Union Territory of Delhi. Out of this sum, Central aid, in the form of recoverable expenditure, will amount to Rs. 6 lakhs and subsidy equal to Rs. 2.68 lakhs. Besides this a short-term loan of Rs. 8.89 lakhs has been approved. There are in all 11 development schemes for which Central subsidy has been sanctioned. These relate to plant protection, fishery development, development of jheel fisheries and co-operative fish marketing and cold storage. Other schemes relate to sludge and manure distribution and schemes for distribution of chemical fertilizers and for the development of local manurial resources. There are also schemes for improvement of village tanks and for sinking new wells besides those dealing with seed distribution and development of seed farms.

INDUSTRY

Draft Standard for Aluminium Shot: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for aluminium shot for use in iron and steel manufacture. The draft standard specifies, amongst others, requirements for chemical composition, sampling for chemical analysis, freedom from defect, sizes, etc., Comments on this draft standard may be sent before July 15, 1957, to the Indian Standard Institution, 19, University Road, Delhi-8.

*

Draft Standard for Biscuits: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for biscuits. This draft standard, therefore, lays down requirements which are applicable to all types of biscuits and which would act as the basis for determining the wholesomeness of these products and their freedom from likely deleterious contaminations. The draft standard specifies that biscuits shall be well-baked but shall not bear signs of scorching. They shall be crisp and of uniform texture. Designs on them, if any shall be clear. They shall have an agreeable odour, typical of well-baked biscuits and shall be free from off odour, soapy or other off taste, and free from insect and fungus infestation. In addition to such physical characteristics, there are certain chemical requirements which have also been prescribed in the draft standard. These chemical requirements are for maximum percentage limits for moisture, acid insoluble ash, etc., and minimum limit for fat content.

*

Dimension of Three Phase Induction Motors: The Indian Standard Institution has circulated, for eliciting comments, a draft standard on dimensions of three-phase induction motors. The Indian draft has, to a very large extent, succeeded in reducing to a minimum the differences between two groups of countries. In doing this, the Institution has also been able to keep to the essential requirements of the metric system which has been adopted by the Government of India. The draft represents the agreed views of the manufacturing industries and organized users like Government departments. Comments on the draft may be sent before July 12, 1957, to the Indian Standards Institution, 19, University Road, Delhi-8.

*

Draft Standards for Industrial Windows: The Indian Standards Institution has circulated, for eliciting comments, a draft Indian standard specification for industrial windows. This specification supplements the draft specification for steel doors, windows and ventilators which covers requirements for domestic buildings including offices and schools. The range of sizes included in the earlier standard did not meet the needs of industrial buildings, specially factories and warehouses, where large single units are required to be installed. This standard covers those ranges and provides for sizes varying from 97.5 cm x 97.5 cm or (3'—2-3/8" x 3'—2-3/8") to 197.5 cm x 217.5 cm or (6'—5¾" x 7—1-5/8"). As in the case of domestic windows, the sizes of industrial windows have been fixed so as to fit into modular openings based on a 10 centimetre module. The specification includes sizes, tolerances, quality of the material to be used, constructional requirements and fitting and fixing of materials. Comments on the draft may be sent to the Indian Standards Institution, 19, University Road, Delhi-8 before July 10, 1957.

TRADE

Protection to Cocoa and Chocolate Industry Extended: The Government of India's Resolution on the Tariff Commission's report (1956) on the continuance of protection to the Cocoa Powder and Chocolate Industry has been published in a Gazette of India Extraordinary.

The Commission's main recommendations are:

(a) that protection to this industry should be continued for a further period of one year i.e. up to December, 31, 1958;

(b) that the protective duty on cocoa powder should be maintained at the existing rate of 31¼ per cent ad valorem (including surcharge), and,

(c) that the protective duty on covering chocolate should be 50 per cent ad valorem or Rs. 1 per lb., (including surcharge), whichever is higher (as against the existing rate of 50 per cent ad valorem),

Government have accepted these recommendations and the revised rate of duty on covering chocolate as in (c) above is being brought into force with immediate effect.

The Commission has also made certain ancillary recommendations and suggestions for general assistance to this industry.

Foreign Trade of India in February 1957: The provisional figures of foreign trade of India by all routes sea, air and land—on private and Government accounts, during February 1957, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta are as follows: Merchandise, excluding transit trade of Pakistan and other overland foreign countries viz. Nepal, Tibet, Sikkim and Bhutan: Exports Rs. 54.25 crores, re-exports Rs. 30 lakhs, imports Rs. 71.32 crores; Total trade Rs. 125.87 crores. Treasure: Exports of currency notes Rs. 5 lakhs, others negligible. Imports of gold Rs. 2 lakhs, currency notes Rs. 5.10 crores, other—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, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 16.79 crores.

*

Trade Handled at Vishakhapatnam Port: The Visakhapatnam Port handled 92,145 tons of traffic during the first half of April, 1957. This included 33,405 tons of mineral ores. The imports which totalled 51,034 tons included 4,036 tons of shipyard material, 4,859 tons of food grains and 481 tons of Bhilai Steel Project material. Twenty four vessells entered the Harbour during the period as compared with sixteen during the previous fortnight.

FINANCE

Loan for Madras Projects: The Government of India have sanctioned a loan of Rs. 1 crore and 93 lakhs to the Madras Government for meeting the expenditure during 1956-57 on three schemes under the programme of permanent improvement in the scarcity areas. This brings the total amount of loans sanctioned for these schemes to Rs. 4 crores and 86 lakhs. The three schemes are the vaigai project, the Amaravathi Reservoir project and the Mettur Canal scheme. The Vaigai Project, estimated to cost Rs. 330 lakhs, will ultimately irrigate 20,000 acres in the districts of Madurai and Ramnad. The project comprises the construction of a dam, 11,675 ft. long across the vaigai river to store the surplus waters of the Periyar. About Rs. 226 lakhs will be spent on the project during the second Plan period. The Rs. 296.71 lakh Amaravathi Reservoir project will irrigate 15,000 acres in the Coimbatore district. The scheme comprises the construction of a dam 3,594 ft. long and 133 ft. high above the river-bed across the Amaravathi river. About Rs. 147 lakhs have been allocated to this project during the second Five-Year Plan. The Mettur Canal Scheme will benefit an area of 45,000 acres in Salem and Coimbatore districts. The Total cost of the scheme will be Rs. 183 lakhs. The project envisages excavation of canal from the Mettur reservoir for utilising the end rents of the high and low level luices. About Rs. 10 lakhs are provided for this scheme under the second Five-Year Plan.

*

More Loans to Displaced Persons: Sixty one loans totalling Rs. 3.42 lakhs are the latest to be sanctioned by the Rehabilitation Finance Administration to displaced persons from East Pakistan. Ten supplementary loans amounting to Rs. 65,000 were sanctioned for improving the business or industrial undertakings started by displaced persons with earlier R.F.A. loans. Till the end of January 1957, the Administration disbursed loans amounting to Rs. 1037.5 lakhs out of a total of Rs. 1235.22 lakhs sanctioned. Up to the end of 1956, the Administration disposed of 74,947 out of 87,508 application for loans received by it.

*

Customs and Excise Revenue Collected in Indian Union for February 1957: 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 the month of February, 1957, amounted to Rs. 14.49 crores as compared with Rs. 14.74 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. 11.47 crores as against Rs. 11.97 crores, export duties for Rs. 2.57 crores as against Rs. 2.63 crores and land customs and miscellaneous for Rs. 35 lakhs as against Rs. 14 lakhs. The Total gross collection of Union excise duties amounted to Rs. 15.64 crores as compared with Rs. 14.21 crores. During the eleven months, April 1956 to February 1957, the grand total of gross customs and Union excise revenue realised was Rs. 530.27 crores as compared with Rs. 289.26 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 127.68 crores as against Rs. 116.56 crores, export duties for 28.14 crores as against Rs. 33.85 crores, land customs and miscellaneous for Rs. 3.31 crores as against Rs. 1.88 crores and Union excise duties for Rs. 171.14 crores as against Rs. 136.97 crores.

*

Rebate of Excise Duty: The Government of India have decided to extend the rebate of duty on excisable goods to cotton fabrics used for the manufacture of bags which are exported out of the country. The rebate is at present applicable only to ready-made apparel, tents and sugar products including biscuits and preserved fruit. Manufacturers of cotton bags who wish to export them from India should contact the Collector, Central Excise, in whose jurisdiction their factory is situated in order to avail themselves of the benefit of the procedure subjects to observance by them of the formalities required under Rule 191-A of the Central Excise Rules, 1944.

GENERAL

American Assistance for Indian Railway and Community Development Programmes: The Governments of India and United States of America have signed two supplementary project agreements providing for $10.5 million in Development Assistance Funds for the Indian Railways and $.2 million for the Community Development programme. This total of $12.5 million is part of the $.55 million in development funds available to India during the current fiscal year under the Indo-American programme and is in addition to Technical Assistance Funds. The sum of $10.5 million will be used by the Railway Board for purchasing approximately 56,400 tons of steel rails and 1900 tons of fish plates. $.2 million is intended to continue assistance to the Community Development programme by providing necessary funds for the purpose of procuring equipment required for opening 200 new community development blocks.

*

Employment Assistance to Scheduled Castes: The employment exchanges procured jobs for 1,819 registered scheduled castes unemployed during February, 1957. Of those placed in employment, 932 were placed under the Central Government, 550 under State Governments, 196 under Quasi-Government establishments and local bodies and the remaining 181 with other employers. During the month, 848 vacancies were notified as specifically reserved for Scheduled Caste applicants, of which 705 were provided by the Central Government, 136 by State Governments and the remaining 7 by other employers. Out of 401 reserved vacancies filled, 349 were under the Central Government, 51 under State Governments, and 1 with a private employer. At the end of the month under review 76,901 such applicants were borne on the Live Register as against 76,073 at the end of the previous month.

NEWS IN BRIEF

INDIAN

The Government of India has extended the provision of Section 39 of the Insurance Act, 1938 to postal life insurance policies thereby making it possible for a holder of a postal life insurance policy to nominate a person to whom the assured sum may be paid in the event of his death.

*

A number of industrial schemes for the manufacture of machinery, machine tools and equipment are understood to have recently received the approval of the Government of India.

*

The Government of India has extended free licensing of all varieties of cotton piecegoods (mill-made and powerloom) and cotton manufactures including cotton waste blankets other than restricted varieties for export up to December 31, 1957.

*

The Punjab Government has decided to set up a modern well-equipped milk plant at Chandigarh at a cost of Rs. 6 lakhs 75 thousands to improve the milk supply, butter, ghee and milch products in the town.

*

The Government of India has decided to raise the limit of oil content of de-oiled groundnut meal (solvent extraction variety) tendered for export from less than one per cent to less than 1.5 per cent.

*

Final negotiations between the Government of India and the World Bank on the quantum of aid for the railway development programme in the current Plan will begin in New York about the middle of May.

*

The Formation of co-operative societies in rural areas for the manufacture of building material like bricks, lime, tiles etc. was recommended by the Sixth Development Commissioners' Conference as one of the important measures for a speedy implementation of the Rural Housing Programme.

*

Over 54,000 tenements were built in India by State Governments private enterprises and corporations under the subsidised industrial housing scheme up to March 31, 1957.

*

The Okhla Industrial Estate, the site of a township for small industries seven miles South of Delhi is fast taking shape. Out of 35 factories being constructed on this 40-acre estate, 29 have already been allotted to small enterpreneurs from Delhi. The remaining six factories are expected to be allotted shortly.

*

An analysis of the age distribution of the applicants registered with the Employment Exchanges at the end of December 1956 revealed that out of 7,58,503 applicants, 3,05,104 (40.2 per cent) were between 18 to 22 years of age.

*

About 9,500 patients on an average went daily to the dispensaries run under the Contributory Health Service Scheme for Central Government Servants in Delhi, according to an official report on the working of the scheme for the period July 1955 to December 1956.

*

A big expansion of technical studies in eastern region comprising West Bengal, Bihar, Assam and Orissa has been recommended by a special Expert Body appointed by the Eastern Regional Committee of the All India Council for Technical Education.

FOREIGN

Persia and Russia have signed a transit agreement by which they will both be able to use trade routes through each others territory for three years.

*

Brazil has signed a $2,750,000 loan agreement with the US Export-Import Bank to pay for reconditioning of twelve cargo ships brought last year. The loan bearing 5½ per cent interest would be repaid in semi-annual instalments over eight years.

*

US exports advanced $3,440 million (£1,228.5) last year as American traders increased their shipments to all major free world trade areas. The gain was larger than the $1,206 million rise in imports, the surplus increasing sharply to $6,397 million from $4,163 million in 1955.

*

The US and Pakistan have reached an understanding by which 54,000 five ounces of US silver loaned for coinage purposes during the war will be repaid to the US Treasury.

*

The European Coal and Steel Community is assisting in the financing of housing in the Netherlands. It will grant credits for Fls. 4 million at nearly one per cent with the General Mineworkers Fund of Holland providing Fls. 16 million at 4¾ per cent.

*

Royal Dutch Petrolium is seriously contemplating the establishment of a large synthetic rubber factory at Pirnis, near Rotterdam, where the Company's big refinery is situated.

*

The Federation of Malaya's trade in March revealed a favourable balance of $M154.5 million (£18.2 million) and exports $M210.2 million (£24.7 million). The Federation had a favourable balance for the first three months of this year of $M108 million (£12.7 million).

*

A Ministry of Trade spokesman has announced that the open account between Japan and the Netherlands is likely to be abolished from July 1 as a result of talks at the Hague between delegates of the two countries. Trade between the two nations will hereafter be settled in sterling or Dutch guilders.

*

The meeting of F.A.O. Co-ordinating Committee will be held at Rome from May 6 to 17, 1957. The Committee will discuss, among other things, F.A.O.'s programme of work and budget for 1958-59, F.A.O. documentation organisation and co-ordination of meetings, seminars and training centres.

*

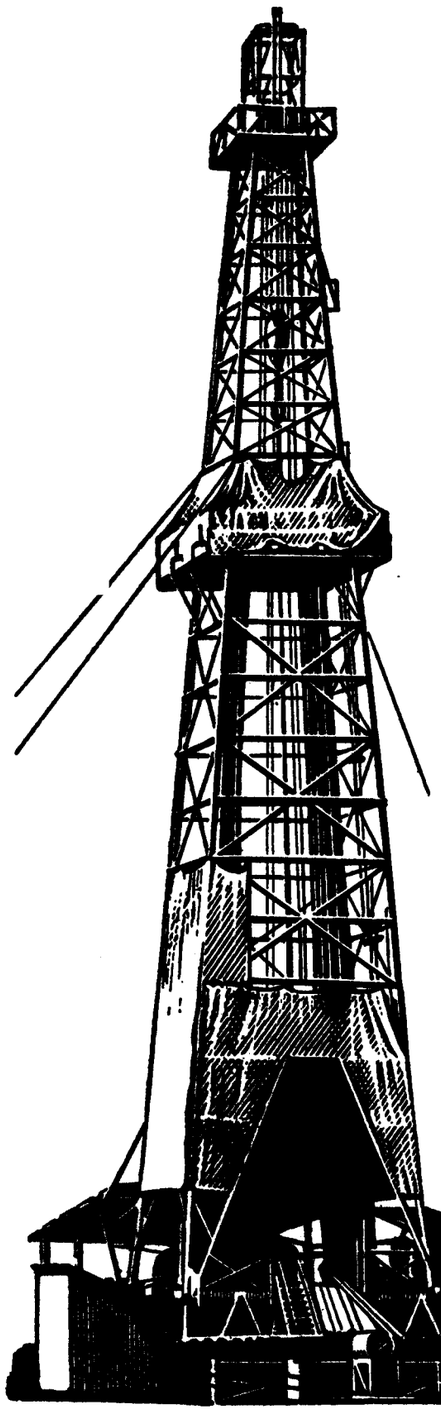
Accounts published in the Kenya "Official Gazette" show that the colony's revenue for the year ending June 30, 1956 totalled £33,389,131 about £8,000,000 more than the sum estimated.

*

It has been reported that the Pakistan Government has asked Montecatini, the biggest Italian mining and chemical corporation, to participate in designing and financing the construction of a plant for the production of fertilizers to be built in that country.

*

It is reported United States newspapers will need 8 million tons of newsprint by 1965 to meet ever increasing demands, according to a study by the American Newspaper Publishers' Association.



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.

B.O.C
A member of the Burmah Group of Oil Companies

ASSAM OIL COMPANY

Special Articles

FOOD GRAINS PRODUCTION IN 1956-57

IT is now claimed that the food scarcity that has manifested itself in recent weeks in several parts of the country cannot have been due to any fall in production in the agricultural year 1956-57. Though the final position regarding the year's production of food grains has not yet clearly emerged, it is still possible to have a rough general picture. The final estimate of the dominant staple food grain crop — rice — shows that its output has set up an all-time record of 28.14 million tons as against the partially revised estimate of 26.85 million tons in 1955-56. The final estimate of the next important food grain crop — wheat — is, however, not yet available; but it is confidently stated that its output has reached the level of 8.78 million tons which was the figure for 1954-55. Among the coarse food grains, maize and ragi alone appear to have so far come in for final estimates. The output of maize in the year is of the order of 3.02 million tons (as against the partially revised estimate of 2.55 million tons in 1955-56), while ragi production is 1.91 million tons (as against the partially revised estimate of 1.82 million tons in 1955-56). Provisional official figures for all coarse food grains, according to a press note of the Union Ministry of Food and Agriculture, represent an increase of about 0.4 million tons on the figures of 1955-56.

This rough final picture for 1956-57 may now be compared with the output figures since the first year of the first Plan. The following table gives the relevant figures for food grains other than pulses:

(Production in million tons)

Year	Rice (cleaned)	Wheat	Coarse food grains	Total
1951-52 . .	20.96	6.09	15.84	42.89
1952-53 . .	22.54	7.38	19.30	49.22
1953-54 . .	27.77	7.89	22.61	58.27
1954-55 . .	24.53	8.78	22.42	55.73
1955-56 . .	26.85	8.35	20.15	55.35
1956-57 . .	28.14	8.78	20.55	57.47

It is seen from the table that food grains production in 1956-57 has nearly reached the record level of 1953-54. Four good or fairly good years in succession have maintained annual production above 55 million tons. In particular rice has set up an all-time record in 1956-57 with an output of 28.14 million tons. The increase in production of rice is partly due to the increase in acreage which has been attributed to favourable seasonal conditions at the time of sowing; and it is also partly due to favourable seasonal conditions during the growing period in all the States except Uttar Pradesh. The table at the end gives a State-wise breakdown of rice production in 1956-57 and 1955-56:

The rather intriguing question is why, in spite of the increase in production of rice (which accounts for very nearly 50 per cent of the entire production of food grains) and of wheat, scarcity has begun to manifest itself in several parts of the country. The uneven increase in production of rice and, perhaps, of other food grains in different States may partly explain local scarcity conditions for the time being. The prseent scarcity, however, does not appear to affect the primary producers for the simple reason that production has increased — and not decreased as in 1950-51. As consumption of food grains by producers has always had a tendency to increase with increased production, the marketable surplus available now for the non-producers both in the urban and in the rural areas may be taken to be relatively the same as in former years — that is, a third of the total production.

On the above basis, food grain supplies in the monetised sector may be estimated at 19.16 million tons (or 15.4 oz. daily per head of the non-agricultural population) in 1956-57 as against 19.43 million tons (or 16.5 oz. daily per head) in 1953-54 and 18.54 million tons (or 15.1 oz. daily per head) in 1955-56. The index number of food grains in the monetised sector (compiled by the 'Economic Intelligence Unit' of the Indian Institute of Public Opinion) was 129 in 1953-54 as against 110 in 1955-56. This relative scarcity of supplies in 1955-56 should have largely caused an increase in prices which, since April 1956, have risen by 12½ per cent up till April, 1957. This price increase also appears to accentuate the relative scarcity of supplies which in 1956-57 are about the same as in 1955-56.

The present scarcity, however, may be largely confined to low-income groups whose purchasing power is not adequate for purchasing food grains in the usual quantities at the prevailing level of prices. In other words, there is a fall in effective demand on the part of vulnerable low-income groups, and hence the loud cry that food grains are not adequately available. The inadequacy is, of couse, there to some extent. But it is also true that this inadequacy is partly related to the prices. Some more supplies and somewhat lower prices may relieve scarcity. Here the 'Economic Intelligence Unit' of the "Indian Institute of Public Opinion" has suggested that 2.5 million tons of imported food grains should be put into the monetised sector this year not only to overcome the relative scarcity but to bring down wheat prices by about 15 per cent. This is not a recommendation on the food front only; its purpose is to build in some insurance against inflation which the heavy development expenditure proposed in the year makes certain.

(In million tons)

State	1956-57	1955-56	Percentage increase over 1955-56
Bihar	3.89	3.45	13
Madhya Pradesh .	3.15	2.87	10
West Bengal .	4.34	4.15	5
Andhra . . .	3.23	3.05	6
Madras	3.10	2.96	5
Bombay . . .	1.51	1.41	7
Assam	1.71	1.63	5
Punjab . . .	0.28	0.20	40
Orissa	2.14	2.07	3
Uttar Pradesh .	2.27	2.55	—11
Other States . .	2.52	2.51	..
TOTAL . .	28.14	26.85	5

FACTS ABOUT KORBA

ONE day recently, at the very end of April, 1957, a wagon load of rather poor coal rolled southwards down the branch line from Korba to Champa Junction and thence to Bilaspur, fifty-six miles distant from Korba station. It was not a very dramatic shipment. Yet it was a historic moment. For that was the first delivery of coal from the pilot quarry, sunk by the National Coal Corporation of India into the Thick Seam, at Manikpur, near Korba railhead. In those same days, two miles or so further north, near the ford across the river Hasdeo — the Charpara Ghat — the first incline of the first colliery was being sunk to win the good coal of the 'Ghordewa' seam. Yet press reports earlier in April had written of 30,000 tons per month already being mined at Korba. In the same optimistic vein, other press notices, last autumn, had foretold a production of four million tons a year from the field by 1960. In truth it will be many months, perhaps a year, before the 30,000 tons per month can be achieved, and the figure of four million tons per annum lies far ahead. Yet the gap between over-optimistic assumption and stern reality should not be allowed to decry the fundamental importance to India's industrial development of the Korba field. All that is now needed is clear understanding and fair judgment by the public, press and all concerned.

The geographical advantages of the field are beyond question. It lies at the south-western corner of the great parallelogram of the main coal bearing lands of India. Markets to the west and the south-west can be supplied from Korba and the long haul from the older fields of Bengal and Orissa can be saved and wagon space economised. It is a big field, about two hundred square miles in extent. The coal of the Ghordewa seam is good and it has been tested in quantity, on many occasions and in many ways. It does not do everything. It is not a gas coal. It does not, by itself, produce metallurgical coke. It is an honest, clean burning, steam raising coal, of good calorific value. Two to four miles to the south, depending on the location in the field, is the other, and so different, asset the Korba Thick Seam. Thick it undoubtedly is. The quantity is enormous. Only part of the gap between Jatraj and Binjra has been closed by drilling at Durpa and Kusmunda. Yet it is highly probable that beneath the fields of the villages of Geora and Naraibod, and perhaps far beyond Binjra to the west, this huge mass of fuel lies just below the surface. The figure of reserves must run to hundreds of millions of tons. On the east side of the Hasdeo, in rather thinner beds, the seam has been proved on a frontage of more than four miles. But it is poor stuff. Perhaps it is better not to use the word 'coal' at all! Rather one should say 'a huge mass of low grade fuel'. It is a thick bed of shale and shaly coal, with an ash content of 30 per cent to 45 per cent. The many boreholes which have so far been sunk through the Thick Seam have failed to establish the existance therein of any band of good coal that could be mined for its own virtues out of the surrounding mass.

Not surprisingly the Ghordewa Seam of wood coal and the Korba Thick Seam, a mass of low grade fuel have been confused in reports and press articles. It has been said that experiments showed that coal from the Korba field could be blended with coal from Jharia to give a metallurgical coke. True enough, that was coal from the Rajgamar extension of the Ghordewa Seam. It has been said that coal in the Korba field exists in enormous mass suitable for open cast quarry mining by highly mechanised methods. But that is the poor stuff of the Thick Seam. It is fatally easy to indulge in day-dreams about the industrial use of the Thick Seam. Quite obviously the immediate and entirely correct use is to burn it on the specially designed grates of the Korba Power Station which will provide the electricity for the Bhilai Steel Plant. But that will only absorb about 20,000 tons per month, say a quarter of a million tons a year. In the case of the Thick Seam the problem is not to raise coal, it is to dispose of it to willing customers. At present there are but few furnaces and fireboxes in all-India that can burn fuel of this low calorific value. The time may well come when the whole plateau west of Jatraj will be a great industrial area deriving its energy and its raw material from the great beds of the Thick Seam. But that time is not yet. There have been forecasts of synthetic oil production, of a new steel plant. But the production of synthetic oil demands, as the Germans well know, complicated machinery and heavy expenditure in capital equipment. Another steel plant lies far in the future. There have been optimistic reports that the run of mine from the Thick Seam can be washed to produce marketable coal. That may be. Now that the pilot quarry has been sunk, trials can be carried out on hundreds and indeed thousands of tons to prove whether this washing project is a practical solution. For the moment it looks as if a very great deal of poor material would have to be quarried to produce a proportion of useable washed coal.

For the Ghordewa Seam the problem is entirely different. The market exists, is, indeed, clamouring for good, burning, coal. But there has been a disappointment east of the Hasdeo. North and north-east of the town of Korba the seam exists in workable thickness. The first colliery, due north of the town is due to produce 20,000 tons per month. A second sunk a little further east will produce the same quantity. But then the seam seems to fade out till it reappears in five foot thickness at Rajgamar, a good distance away from railhead. So now it looks as if the 'Ghordewa Seam' must be sought on its native soil, so to speak, those classic villages of Ghordewa and Dangania, where Dr. Cyril Fox, Superintendent of the Geological Survey of India, visited John Dunlop in 1926 and whence came the report in the Memoirs of the Geological Survey. Perhaps, in the light of our present knowledge, the railway was sent up the wrong side of the Hasdeo. The energetic teams of the Bureau of mines have carried out a tremendous programme of drilling on the eastern side of the field, 56,000 feet drilled in slightly over a year. But they have not found anything startlingly new. The Thick Seam is as disappointingly mediocre on the east as it was on the west. The Ghordewa Seam is rather thinner and indeed seems to fade away in places. And no new seam has been found. 'There is more and better coal on the west of the Hasdeo' was recently said. Fortunately, just above the Durpa Ghat, by Korba town, there is an ideal crossing place; the river narrows and there are sandstone bluffs on either bank. The bridge and siding to Ghordewa are even now being planned. The commercial project of 1953, envisaged an aerial ropeway to bring coal across the Hasdeo, from the colliery at Dangania to railhead at Korba. Now the plan is for a bridge, perhaps a combined road and rail bridge. On the long view that is far better than a ropeway. But the years are going by and even two million tons a year from the Ghordewa Seam will need a lot of energetic work.

So, for Korba, the programme seems to be first, that the public of India, the owners of the enterprise, should understand what is possible and what is not possible; then, for the Korba Thick Seam a long term study of the manner in which this great potential asset can best be used; for the Ghordewa Seam, an energetic programme of early development on both sides of the Hasdeo. Already, by the end of April, three of the Government drilling machines have moved across the river to the western side, an interesting sign of the times.

Finally, for the whole field, there clearly exists the need for an act of statemanship. In large measure by reason of three changes of government policy in ten years, the psychology of the Korba field is clouded by litigation and disputes. It would be a happy augury for this great new enterprise in the public sector if it could be launched on its way in a happy atmosphere of national and international good-will.

BOOK REVIEWS

LAND REFORM

Progress in Land Reform: Second Report, released by United Nations, 1956: Copies can be had from Orient Longmans, Calcutta, Bombay, Madras and New Delhi: Oxford Book & Stationery Co., New Delhi and Calcutta; and P. Varadachary & Co., Madras: Pages 190: Price US $2.00 or equivalent in other currencies.

The book under review is a sequel to 'Progress in Land Reform' which was published for the first time in 1954. It contains an analysis of replies, to a U.N. questionnaire issued in 1955, by governments of more than 40 countries representing a total population of 1,188 million and a total agricultural area of 1,730 million hectares out of 2,434 million and 3,695 million hectares respectively in the world as a whole. As Communist China is not a member of the United Nations, there is here no authoritative account of the progress in land reform in that country. Among the other Communist countries, Albania, Czechoslovakia, Eastern Germany, Hungary, Poland and Yugoslavia alone have responded to the questionnaire. It is sad to reflect that a number of countries have not co-operated with the United Nations in an enquiry covering land reform which is crucial to the communist and non-communist worlds alike.

A brief report such as this, however, can give only a bird's eye-view of the situation in the countries covered. Even here the account is inevitably scrappy, being based on perfunctory official replies. A paragraph from the chapter on Land Settlement and Secure Tenure is quoted in this connection by way of illustration:

"The Indian reply supplies information on schemes of settlement for landless farmers and labourers which have been carried out during the period 1951-1953, mostly by State Governments on waste and fallow lands. In the State of Andhra, 7,951 acres of Government land has been allotted to landless farmers, either on an individual or co-operative basis, the normal grant being two and one-half acres of irrigated land per family or five acres of unirrigated. In Bombay the respective figures have been five and ten acres. In Madras, blocks of 50 or 100 acres have been given — free of lease or against nominal rent — to co-operative societies. In Uttar Pradesh, where collective farming is being encouraged, over 80,000 acres of reclaimed land have been allotted to 6,000 families. It is reported that similar settlement programmes are being carried out in other States".

An account of this kind can only be called scrappy, for it is not possible to figure out how much land and how many families have been covered by land settlement schemes in the entire country. The economic analysts of the Department of Economic and Social Affairs of the United Nations cannot, of course, be held responsible for this superficial treatment. The officers at this end who answered the questionnaire should have taken greater pains to assemble facts and figures. This line of criticism is, of course, not applicable to all the chapters and to the replies of all the governments. One gets a rapid account, within a short compass, of what is being done in the world to tackle the problems of land and agriculture in their multifarious aspects. And that is worth having.

LAW FOR PRACTICAL REFERENCE

Company Law: By Messrs. N. C. Chatterjee and N. Krishnamurthi: Federation of Indian Chambers of Commerce and Industry, 29, Ferozshah Road, New Delhi: 1957: Pages 862: Price Rs. 25.

Radical amendments incorporated in the Companies Act, 1956, have not only changed the content of the law beyond recognition in material parts but made it a cumbrous and bulky piece of legislation, by no means easy to digest and certainly difficult to comply with, particularly in regard to the mass of technical requirements it stipulates. Persons at different levels, who come in direct contact with company management, whether as office-bearers or otherwise, will now find that acquaintance with the major provisions of Company Law is an obligation which they cannot ignore. Messrs. Chatterjee and Krishnamurthi have rendered valuable service not only to the legal profession but to the business world in bringing out a lucid commentary on the Companies Act, 1956. They have made a departure from the conventional treatment of comment and interpretation of the law section by section in the serial order. The basis of treatment which they have chosen deliberately — and it ought to be added, wisely — makes their work a highly useful volume of practical reference to a variety of persons according to their respective interests. The company promoter, shareholder, director, managing agent, secretary and treasurer, manager, accountant and auditor will each find provisions of the law relevant to the proper discharge of his duties analysed and explained in separate chapters. In spite of this distinctive treatment, this book retains its value as a commentary on the text of the law. No important judicial decisions have been left out and, on the other hand, the latest ones, including two important rulings, of the Bombay High Court, have been included.

How political, economic and social currents in thought have coloured the Companies Act in its final form is best illustrated in the chapter on Managing Agents. The eventual trend of policy on Managing Agents aiming at its abolition was the result of later pressures, particularly dating from the deliberations of the Joint Select Committee to the discussion on the Bill in the two Houses. It reversed the earlier con-

sensus that the malpractices in the system could be eliminated by amendment of law and there was no need to seek extinction of what had proved to be a great aid to company management. The institution of Secretaries and Treasurers which is being elevated as a total successor to Managing Agents will have no right to appoint or nominate any Director to the Board of Directors and as regards their remuneration it will be restricted to a maximum of seven and a half per cent of net annual profit as against a maximum of 10 per cent for Managing Agents. Excepting for this major distinction the authors feel that the two institutions will have almost identical functions and duties. If this interpretation is borne out in substance, the mountain of effort that has gone into giving Company Law the form of an intricate and complex piece of legislation will achieve the purpose of imposing several rigid restrictions on legitimate freedom of management and depressing the initiative of the entrepreneur.

MAURYAN EMPIRE

The Mauryas and the Mauryan Empire: By Rama Krishna, M.A.,: Indian Postal Service: Published by Atma Ram & Sons, Delhi, 1957: Pages 68: Price Rs. 2/-.

This small book deals with the age of the Mauryas in ancient India. The history of the Mauryan Empire, the system of Government which prevailed then, and the cultural, moral and religious aspects of social life in that period are succinctly and ably narrated. The author is rightly of the view that the age of the Mauryas was as great as the golden age of the Guptas. This greatness of the Maurya Age was, in large measure, due to the towering personality of Asoka. This essay in history is marked by brevity, clarity and lucidity of style. It should come in handy for reading by the general reader.

THE BULLETIN OF THE BOMBAY SHAREHOLDERS' ASSOCIATION

AT A time when the confidence of the Indian Investor, especially the average middle class man, is shattered by a plethora of measures sponsored by the Government of India, there is undoubtedly great need for some publication periodically to pin-point the various problems confronting him and to offer him "constructive suggestions". The Bombay Shareholders' Association has done well, therefore, to bring out such a publication entitled the "Shareholders' Bulletin". The first issue which has just reached us contains, apart from articles pertaining to the activities of the Association, two other contributions — Cloth Excise and Government policy by Mr. S. K. S. and Reminiscences of Company Meetings by Mr. M. H. Enginner — which should be of interest to the investor. Summing up the purpose and objective of the bulletin, the Editorial Board, consisting of Mr. C. H. Diwanji, Mr. S. M. Shah, Mr. M. H. Enginner, Mr. B. A. Trivedi and Mr. Chokshi, all of whom are good business men with the requisite competence to undertake this venture, declare (in the first editorial of the Bulletin) that "so long as free enterprise has a role to fulfil in the economic structure, risk capital will be the pivot around which its wheels will revolve. All that the Association demands of the authorities is that the Indian shareholder be given the rightful place that he is entitled to in the economic set-up of the country today and he be assured of the basic environment and conditions necessary for a free flow of risk capital. The Bulletin pledges itself to present the case of the Indian investor "honestly and fearlessly". No one can do this better than an accredited body of shareholders such as the B.S.A. and the sponsors accordingly deserve to be congratulated on embarking upon this laudable venture.

SALES TAX

The Central Sales Tax Law with Notes: By C. M. Mehta and M. H. Patel: Publishers: Chimanlal M. Mehta & Co., Bombay 9: Price Rs. 1-8.

With the exception of Section 15, the Central Sales Tax Act has been in force since January 5, 1957. This legislation, it will be recalled, was enacted by Parliament in order to remove certain anomalies, as also a good deal of confusion, created by two important judgments of the Supreme Court of India regarding the validity of inter-State Sales-tax levy. The authors of the publication under review have endeavoured to explain the Act, both in English and in Gujerati, supplemented by appropriate illustrations, within about a hundred pages. Although the presentation and treatment of the subject leave much to be desired, the contents of the book as such should prove of considerable help to the commercial community in comprehending this new and undoubtedly complicated piece of legislation. One notices that there have crept in a number of avoidable errors which mar an otherwise well got-up publication, and it is to be hoped, therefore, that the authors will thoroughly revise it atleast when they happen to bring out a second edition.

New Subscription Rates for
THE EASTERN ECONOMIST
and
RECORDS AND STATISTICS

'The Eastern Economist' greatly regrets that it has become necessary, owing to the steep rise in costs, to raise its subscription rates both for the weekly and for 'Records and Statistics', the Quarterly Bulletin.

WITH EFFECT FROM THE 1ST MAY, 1957, ALL NEW SUBSCRIPTIONS WILL BE ENTERED AT RS. 57.50 FOR A YEAR AND RS. 30 FOR A HALF YEAR. THERE WILL BE NO SUBSCRIPTIONS FOR A SHORTER PERIOD.

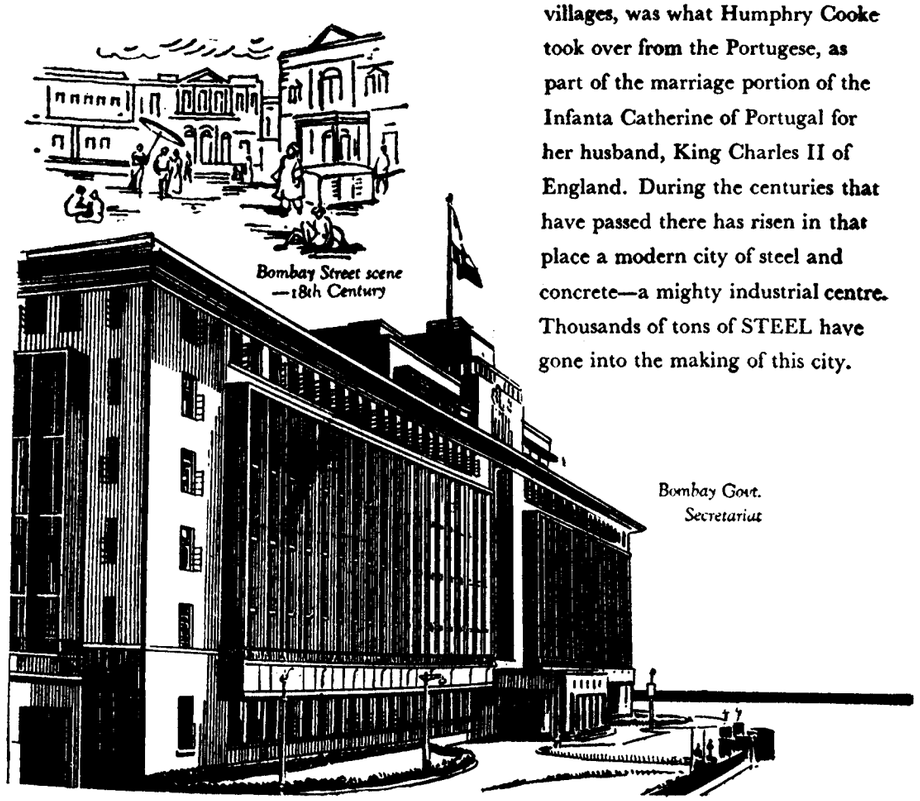
IN THE CASE OF 'RECORDS AND STATISTICS' THE ANNUAL SUBSCRIPTION WILL BE RS. 16. FOR SUBSCRIBERS OF 'THE EASTERN ECONOMIST', THE RATE WILL BE RS. 14.

The present rise is not a charge for the Blue Supplements and additional coverage given in larger Special Numbers. No increase was made in the subscription of Rs. 50 when the Blue Supplements (annual subscription Rs. 5) and the Annual and Budget Numbers were enlarged. It is proposed to continue these Supplements without additional charge. The new subscription rates are, therefore, inclusive of Blue Supplements and all Special Numbers, the total individual value of the issues supplied in a year being Rs. 65.50.

MANAGER.

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

Bombay



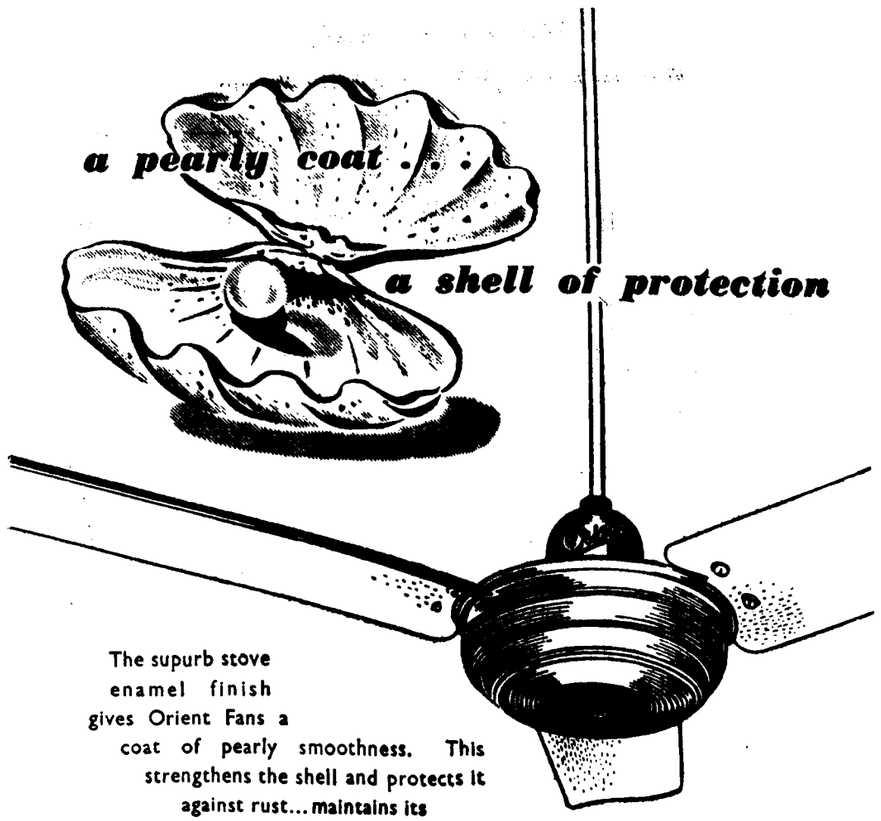
February 18, 1665. Only a small island of mud-flats and fishing villages, was what Humphry Cooke took over from the Portugese, as part of the marriage portion of the Infanta Catherine of Portugal for her husband, King Charles II of England. During the centuries that have passed there has risen in that 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.

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OF-4/57

Economic Report from the U. S.

WORLD TRADE FAIR

(By GUY SIMS FITCH)

NEW YORK, April 30.—The largest world Trade Fair ever held in the US ended here last Saturday after two busy weeks. And according to its President, Charles Snitow, it was a "fabulous success." All four floors of New York's huge coliseum were jammed to capacity with more than 3,000 displays from 59 countries throughout the world. Many of the exhibits emphasized travel and investment as well as trade opportunities. Among the thousands of products on view were handicrafts from India, Indonesia, Thailand and Morocco; textiles from the United Kingdom, Greece and France; cameras and electronic equipment from Germany and Japan; housewares from Brazil and Italy; foods from the Netherlands, Israel, Poland and Yugoslavia.

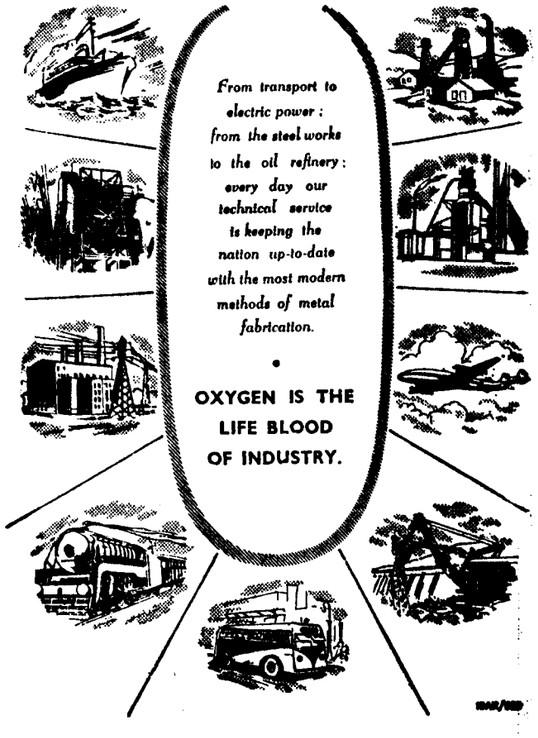
It took about three years for US World Trade Fair, Incorporated, the organization Snitow heads, to complete arrangements for a private show of this magnitude. Snitow estimated that approximately 700,000 persons visited the show. But more significant, commercially, was the presence of more than 100,000 buyers representing every important purchasing and retail organization in the United States, to say nothing of hundreds of purchasing officials from Latin America and Canada. There even were buyers from such more distant places as Europe, Japan and Australia.

According to Snitow well over $1,000 million in "actual" orders was placed with exhibitors of foreign merchandise. Enough general interest was shown, moreover, to indicate that many of these were "test" orders, probably paving the way for larger sales in the future. Judging from conversations he has had with participating business men and government officials, Snitow confidently expects that virtually all of this year's exhibitors will return next year, for a repeat performance he is scheduling in May 1958. So much enthusiasm has been evidenced that he is looking forward to the participation of even more companies and governments than were represented at this year's show.

In every real sense, the Fair's success reaffirms the growing receptivity of the US market to goods from other lands. Last year, US imports were a record of $13,000 million, and they may well exceed that figure this year. Chances for the successful penetration of the US market are enhanced, of course, by adapting products, merchandising methods and pricing policies to US requirements. Among the Fair's significant results, says Snitow, were the valuable lessons learned by foreign exhibitors in these matters—lessons that should be reflected in their future exports to the US. Supporting this view are the innumerable instances in which foreign products have been winning a market in the United States. It was only a few years ago, for example, that an Italian sewing machine first "cracked" the US with new features that gained the favour of American housewives. Today, it is an established item in US stores.

US automobile imports from such countries as Germany and the United Kingdom, France, Italy, Sweden and Japan have been rising spectacularly; in 1956, they were twice the 1955 total. Also growing in American favour are such items as Japanese crockery, Indian rugs and Italian vases—all of them on display at the Fair. Imports of these and other speciality products by no means eliminate opportunities for other countries; Brazilian crockery exhibitors, for instance, picked up more than a million dollars in new orders at the Fair. A most revealing comment was made by a trade official from Ceylon. With many of its attractive handicraft wares already being sold in stores throughout the United States, Ceylon put on a new display of a variety of items. "We exhibited our products for the first time in New York in 1954," this official recalled. "Orders were small at first, but they grew. Now we are introducing several new items.... and we are hopeful that our exports to the US will continue to thrive."

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The Business World

RE-THINKING ON FREE ENTERPRISE

WITH the tempo of planning gaining momentum, it is perhaps natural that the controversy over the respective roles of the private and public sectors should also gain in intensity. Free enterprise is, however, a vital part of the mixed economy or the pattern of society we are trying to build and the Industrial Policy Resolution of 1956 has clearly recognised this fact. If, nevertheless one should still be bedevilled by this theme from time to time, it should be attributed to two reasons. One is the contradictory ministerial pronouncements on this controversy and the other the schizophrenia — to borrow a familiar term in psychology — that seems to characterise the mind of a considerable section of Indian business today.

It is, therefore, necessary to clear certain cobwebs that surround discussions over the concept of mixed economy. A mixed economy is inevitably part private and part public and it comprises private enterprise as well as public enterprise. It follows that the private sector is not to be allowed to function by sufferance with constant threats of extinction, but has to be conceded that it has a necessary and legitimate role to play. It assumes that the people should be provided with opportunities to own, invest, initiate, experiment and to form associations and in certain well-defined areas they have freedom to act without the State using its influence against them in any way. It further assumes that a substantial amount of individual freedom is basic for the functioning of the private sector; this cannot legitimately be curbed by arbitrary legislative and administrative restrictions.

It is to this basic fact that Mr. M. A. Sreenivasan turned his attention while inaugurating the first convention of the Forum of Free Enterprise. Pointing out how the private and public sectors are two distinct wings of the country's economy, he argued that the difference between the two is fundamental. "It is the difference", he said, "between private ownership and ownership by the State. It goes to the root of the concept of property. It is closely related to the question whether the State exists for the citizen or the citizen for the State".

The idea of a welfare State has gained ground since World War II and planning has now become part of normal thinking everywhere. The only relevant question is whether it should be authoritarian or be related to our proclaimed professions for democracy. If it were to be the latter, it is necessary that free enterprise should be given a square deal and the forces that come in its way resisted. The drive towards conformity, the impatience shown to dissent of any kind and the enormous powers that the State has augmented for itself, all these are trends that will inevitably tend towards totalitarianism and the ultimate destruction of individual liberty.

A recent document of the Forum of Free Enterprise has cogently argued how 'Free enterprise' can operate within a planned economy and consistent with the social and economic ends which the country seeks to attain. What is objectionable is not planned economy and the common existence and mutual inter-dependence of a State-controlled and Free Enterprise sector. What is to be resisted is the continuous extension of the State-owned sector till it dominates the national economy leading to regimentation and the suppression of the individual. Mr. A. D. Shroff, speaking at the convention, put the case of the Forum clearly when he explained that what they stand for is "Free Enterprise with a social purpose" which means that "within the framework of planned development, every individual in this country should have the largest possible scope for making his or her contribution towards the development of the country by the use of his or her initiative and enterprise".

The last few months have seen the impact of a tremendous pressure on the private sector of the economy and various types of burdens have been imposed on it, such as the company deposit proposal. In the absence of personal savings or available ploughed-back profits, opportunities for investment are bound to be crippled. At the same time one has also to take note of the limitations of an over-burdened public sector. The Forum document referred to earlier significantly points out that the Bhakra-Nangal Dam, the Sindri factory etc., are all achievements of the public sector of which the entire country can be proud. By the same token, the nationalisation of insurance and the introduction of State Trading are examples which show where the State can legitimately refrain from intervention. This is the trend that should be arrested if free enterprise and the democratic process are to survive.

An expanding economy provides the background to individuals as well as the people as a whole to seize every available opportunity for material improvement and there is no denying that a target of material improvement can serve as a great stimulus. Having accepted mixed economy as the goal, it is necessary to assign the proper place to free enterprise and thus ensure adequate flexibility as well as dynamism to the system. Correspondingly on the political plane, the acceptance of democracy makes it necessary to underline its prime significance as marking the difference between freedom and authoritarianism. Recent trends in the shaping of economic policy have a strong authoritarian thread. The public sector is becoming judge and jury in its own case; sometimes it does not submit its case to judicial processes at all.

WHY HIGH DIVIDENDS ?

By

CROESUS

THE second Five-Year Plan, which envisages an outlay of Rs. 720 crores on industrial development in the private sector (excluding mining, electricity generation and distribution, plantations and small-scale industries) makes provision for an amount of Rs. 300 crores by way of internal resources, which, in the main, must come from profits ploughed back into industry. This, by the way, is twice as much as the amount envisaged under this head in the first Plan. Wherefore, it follows that the exhortation of Dr. B. C. Roy, West Bengal's Chief Minister, to the tea industry, the other day, to build up reserves, even if it should mean some sacrifice on the part of shareholders, is, to all intents and purposes, timely, besides being both appropriate to, and in line with, the Socialist Structure of Society that this country has opted to evolve. But

this presupposes that the Government of this country also should follow a policy actively to encourage this practice. Indeed, the Matthai Commission regarded ploughing back of profits as the major source of capital for private industries and favoured the encouraging of it. Yet the last budget of Mr. Chintaman Deshmukh did away with the rebate given to companies on undistributed profits, thus taking away a positive incentive to capital formation in the private industrial sector. Probably he feared this would lead to dissipation of profits by way of inordinately high dividends and, with a view to countering it, perhaps, he, at the same time, also introduced a graduated penal tax on payment of dividends in excess of 6 per cent. While the logic of this patently contradictory policy is difficult to appreciate, it has certainly affected adversely a time-honoured incentive for retained profits. Even earlier, this incentive had suffered somewhat, thanks to the tendency of some industrial courts prompted by extremist labour demands no doubt to extend the claim of labour for a share in reserves built out of undistributed profits of previous years.

Be that as it may, it is not clear, from the reported proceedings of the annual general meeting of the Tea Association of India, whether Dr. Roy wanted the rate of dividend itself to be not more than 6 per cent. This, however, is of crucial importance, for the rate of dividend is one thing and the actual return to the shareholder on his investment (that is, the price paid by him for acquiring his holdings) quite another. More often than not, especially in the case of shares of old and established concerns which pay dividends regularly, the cost of the share to the investor is not just the face value (or the amount actually paid up per share) but the market value, and, on this basis, even a 40 or 50 per cent dividend may, in fact, yield no more than a 6 to 7 per cent return to the investor. So, whilst talking of limitation of dividends, be it statutory, as, in fact, we already have, or voluntary, it is of the utmost importance to bear this aspect in mind.

There is yet another aspect to this question. It is true that several companies, in particular tea companies, have paid, and continue to pay, dividends of 40 to 45 per cent. Apart from the fact that this should be judged in relation to the market price of the shares in the case of listed shares, as stated above, this seemingly high dividend rate may, in fact, have been forced upon the company concerned by reason of its being a private limited company or a Section 23A Company under the Indian Income-tax Act. Such a company has no option but to distribute the major portion of its profits, which naturally raises the percentage figure, the more so if the number of shareholders is few and far between.

While on this point, one feels constrained to question the very thesis that one of the ways to promote capital formation in industries is to impose a limitation on dividends. Take the case of West Germany where several big industrial undertakings, which had been literally raised to the ground, have again come up during the past few years. It is noteworthy that this remarkable achievement has been realised without any restriction on dividends. A restriction on dividends would have proved fatal to West Germany's industrial recuperation, what with the fantastically high interest rates that industrialists there have had to pay to raise finance for their business. Presumably, because we in this country seem to be terrified by any suggestion to increase interest rates, notwithstanding the clear signs crying out for such an increase, we have developed a psychological aversion to high dividends as well.

P. N. B.

WORKING RESULTS AT A GLANCE

STATEMENT OF ACCOUNTS AS ON 31-12-1956

LIABILITIES

i. Paid up capital	Rs.	87,50,000
ii. Reserve Fund and other Reserves	Rs.	1,25,00,000
iii. Deposits	Rs.	1,06,38,58,201
iv. Other Liabilities (including contra items such as Bills for collection and acceptances, endorsements and other obligations)	Rs.	32,52,11,363
Total ..	Rs.	1,41,03,19,564

ASSETS

i. Cash and balances with Bankers	Rs.	12,39,23,611
ii. Investments		
(a) Investment in G. P. Notes, Municipal Loans and shares guaranteed by the Central and State Govts.	46,89,66,671	
(b) Other investments	1,40,42,990	48,30,09,661
iii. Loans and advances		54,86,00,526
iv. Other assets (including contra items such as Bills Receivable being Bills for collection and constituent liabilities for acceptances, endorsements and other obligations)		25,47,85,766
Total ..	Rs.	1,41,03,19,564

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BUSINESS NOTES

STEEL FOR ENGINEERING INDUSTRIES

THE ENGINEERING industries, which demonstrated their dynamism in a striking manner after their emergence from the crisis of idle capacity, seem threatened with the prospect of stagnation in the immediate future. The situation is in no sense of their own making and precisely because it is beyond their control and also because it seems intractable the end of the interlude of stagnation seems hard to forecast. Shortage of steel is the acute problem. For a couple of years now there does not appear to be an assured outlook of improvement in the supply of steel, for this is the period which will have to elapse before the second plan programmes of expansion of steel production begin to yield concrete results. Meantime, the inexorable necessity to clamp strict rationing on import on account of the state of foreign exchange removes reasonable expectation of any appreciable improvement. Whatever adjustments can possibly be made by way of conservation or ad hoc redistribution are unlikely to change the complexion of the problem in any marked degree.

It is not absolutely necessary to cite statistical evidence to substantiate the hard prospect that lies ahead in respect of steel supply for these industries. At the recent annual meeting of the Engineering Association of India, the Chairman, Mr. B .R. Bagri, set out the problem of steel shortage with reference to the comparative statistical position. He emphasised that as against total supplies of 3.18 million tons in 1956-57, including home production and imports, supplies in 1957-58 are assumed to decline to 2.58 million tons and they are apprehended to decline still further to 2.1 million tons in 1958-59. The snag in this comparison lies in the fact that availability in the base year 1956-57 was very high as a result of heavy imports. Nevertheless, the fact remains that considering the development programme chalked out for these industries, inadequacy of the basic material will be a great handicap difficult to surmount. The Chairman has suggested that supplies of steel should be planned on a basis of steady flow for which purpose the budget for steel should be prepared for two years. This suggestion ignores the fact that unless resources are first provided the budget will have little chance of being implemented. The short-term stop-gap arrangement that he has pleaded, however, deserves close attention and sympathetic action by the Government. He has suggested that steel stocks lying with the public sector projects which are not needed for immediate use should be diverted to steel processing factories for distribution on a basis of borrowing to meet pressing needs. This arrangement will be considered obviously where there is clear proof that the public sector projects themselves will not be landed in a deadlock when they require steel for their consumption. His second remedy is to put a ban on export of scrap estimated at 2 lakh tons and melt it inside the country. This proposition has something intrinsic to argue for itself. A number of suggestions which he has made to rationalise the administration of steel allocation will go to liberalise the procedure and mitigate practical difficulties on this score.

OUTLOOK FOR TEA INDUSTRY

IN HIS presidential address at the first annual general meeting of the Tea Association of India (a body recently started to promote the interests of indigenous tea planters), Mr. H. B. Kanoi has drawn attention to certain problems facing the industry that merit consideration. The past year has been a good year for the industry with record tea exports, no large surpluses and more or less satisfactory prices. The improvement in the export position was mainly due to the entry of the USSR in the Calcutta market and the large increase in the Egyptian off-take due to her exchange difficulties with Ceylon. However, there is no ground for undue optimism in this respect since Indian 'common teas' have to face severe competition in the UK (the largest market for this type of tea) from East African and other countries and unless suitable measures are taken to improve the competitive position of India tea, the prospects will remain far from rosy for its exports. In this connection, it is necessary to examine carefully the proposal to revive the International Tea Agreement which expired in 1955, and what effect it will have on the Indian tea industry. Mr. Kanoi has pointed out that any regulation, if introduced, should cover all producers, old and new, because if the agreement is signed without the participation of other countries which have growing surpluses for exports to world markets, it is bound to affect adversely India's interests.

Connected with the question of export is the effect of the export duty on Indian tea which affects its competitive position. Mr. Kanoi has argued cogently that the export duty not only undermines the producers' financial strength especially at a time when the producer is confronted with strained liquid resources, but the variations in export duty prove harmful to Indian exports as overseas buyers alter their buying programme whenever the duty is increased in India and resort to alternative sources. This is an aspect that deserves close examination. Mr. Kanoi has also pleaded for more vigorous and extensive propaganda to increase external and internal consumption and has pointed out how it is odd that an industry paying for its own propaganda should spend only a small sum out of the annual collection of about Rs. 2 crores from the Tea cess. While it is true that ultimately it is the quality that will weigh in the success of India's exports, the propaganda aspect should also be given its due and rightful place. Mr. Kanoi has also drawn attention to the problem of warehousing and has pointed out how the Government itself has accepted the suggestion of the Tea Auction Committee to increase accommodation expeditiously to store about 1 million chests a time. Since the problem of storage capacity in Calcutta is urgent, Mr. Kanoi's suggestion that private parties should be allowed to build warehouses with an attempt to decentralise tea warehousing seems sound and calculated to remove the prevailing difficulties.

THE ROLE OF MANAGERS

IN THE giant joint-stock enterprises, the owners, that is, the share-holders, are so large in number and scattered so far that it is hardly possible for the owners themselves to meet and take policy decisions. In other words, a sort of divorce between ownership and management has become a conspicuous feature of organised industry today. It is this feature which has given birth to a new type of administrators known as the managerial class whose functions, in the main, are to run the organisation efficiently, to look ahead, plan and produce, and to take decisions. In the western countries, some industries have even created special departments whose main function is to look as far ahead as, say even, 2000 A.D., and to tackle problems that may be expected to arise then. In India, the need for such managers and technicians is very urgent, the more so in the context of the second Five-Year Plan. Dearth of personnel, who can man key industrial enterprises, particularly in the Public Sector, is a great inhibiting factor in the way of rapid industrialisation of the country. Both Mr. Wankhede, Bombay's Minister for Planning and

Development, and Mr. P. L. Tandan, Co-ordinating Director of Hindustan-Lever, therefore, felt impelled to stress the need for qualified business managers in India, whilst addressing the industrial management group recently in Bombay.

Referring to the present position in India, Mr. Tandan maintained how, since the second World War, both the public and the private sectors have begun to make serious attempts to train managers, as, happily, the awareness is there now that efficient management contributes very much towards increased production. As regards the functions of management, he said, that the management's skill or ability lay not only in breaking all problems and tackling them according to a given order of priority, but in keeping an eye on their proper and efficient implementation. Digressing at this point to say something about the meaning of the term "efficiency", Mr. Tandan, very rightly underlined that efficiency in the past had been a more or less static conception but that it had since come to acquire a relative meaning, that is, relative to the cost of operation and to the cost of the human factor. Gone are the days when the human factor received scant or no attention, and it is this reorientation in outlook that makes the industrial revolution of the twentieth century so redeemingly and refreshingly different from that of the preceding century.

LAMP INDUSTRY'S PROBLEMS

THE LAMP industry has made phenomenal progress during the last ten years. From the production of 3.11 million Pcs. of G.L.S. and other types of lamps in 1946, the industry has steadily raised its production of similar lamps to 29.78 million Pcs. In addition, the industry has diversified its production in many other respects. In particular, the flourescent tubes and miniature bulbs which were produced within the country for the first time in 1952, are now being increasingly manufactured from year to year to meet an appreciable portion of the country's requirements.

It is the contention of the Indian Lamp Factories' Association that the main problem of the lamp industry has been the lack of balance amongst the different operating units within the industry, which the Association's chairman Mr. H. Sinha has explained in his annual speech. The result has been a lop-sided development of the industry. Since this industry is one of the scheduled industries under the Industries (Development and Regulation Act), the chairman stated, it is necessary that the Development Council for Light Electrical Industries should give very careful consideration to the problem of lack of balance within the industry. He has urged that it is essential to regulate production, marketing and future expansion of the industry as would enable the factories manufacturing products of less popular brands to also raise their production to a reasonable extent and thus derive real advantages of a developmental economy. He has, however, not explained how production of different units could be regulated within the framework of the official policy on industry. In this context the suggestions made by Mr. H. Sinha at the recent meet of the Indian Lamp Factories' Association are worthy of consideration. Mr. Sinha has touched upon several aspects of this industry and has made some valuable suggestions. It is essential to reduce the country's dependence on imported lamps as well as raw materials required for the industry. It is important from the point of view of saving our foreign exchange. As regards the delay in the issue of licenses for import of machinery pointed out by Mr. Sinha, the opinion is that the Government should grant the required licenses within the limitations of the availability of foreign exchange.

INDUSTRIAL MEDICINE

THERE IS no gainsaying that, for higher industrial production, industrial peace is of paramount importance. The loss of working days, whether it be due to industrial strife resulting in strikes and lock-outs or for health reasons, retards the industrial development of a country even as it affects industrial production. The most important factor which ensures industrial peace, apart from a proper understanding, especially by our Trade Union leaders, of the various problems of industry, such as capacity to pay, productivity of labour, etc. before demanding wage increases, is industrial medical service. In Western countries, unlike in our country where it has hardly received attention, this subject is not only studied in detail but is considered to be a vital one. Very rightly, therefore, whilst inaugurating the Fifth Annual Convention of the Society for the Study of Industrial Medicine, Bombay's Chief Minister, Mr. Y. B. Chavan, emphasised the need for co-ordinated research on problems connected with industrial hygiene. As he said, such efforts will not only bring about industrial peace but also help raise our industrial production. Industrialisation, as he pointed out, leads to urbanisation and concentration of population, thereby endangering public health, and in such circumstances, the need to provide hospitalisation and proper medical care becomes all the more imperative.

Speaking on the same occasion, Dr. V. V. Kulkarni, President of the Society, charged a section of industrial employers of evading their responsibility for providing adequate medical service to their workers and complained that the introduction of the Employees' State Insurance Scheme seemed to have created the impression (in the minds of at least some of them) that the health and safety of the industrial worker was no longer their responsibility. This would appear to be a rather sweeping summing up of the case. Yet, the fact remains that the need to improve the health of the industrial population is as great as it is vital and demands concerted efforts on the part of the employees and employers alike, of both the private and the public sectors. It needs to be mentioned, that the Society for the Study of Industrial Medicine seeks to provide training courses on industrial psychology, industrial hygiene and sanitation, factory-first-aid service and safety services.

NATIONAL PRODUCTIVITY COUNCIL?

THE CREATION of a National Productivity Council, to launch an effective national movement for increased productivity in India, has been recommended by a delegation of officials and non-officials which visited Japan last October. The delegation, sponsored by the then Ministry of Heavy Industries, was asked to study the productivity movement in Japan and recommend measures for propagating a productivity programme in India. In its report, which has just been released, the delegation says that, in the context of the ambitious industrial programme in the second Five-Year Plan, increase of productivity could play an important role by stimulating operations and by motivating industrial personnel to produce more goods of better quality. The report emphasises that in a rapidly increasing economy, the increase of productivity could be a powerful element of national policy for increase of national wealth and the raising of the standard of living without creating unemployment. The delegation warns that productivity should not be confused with rationalisation and the retrenchment of surplus labour. The National Productivity Council, the delegation has recommended, should be an autonomous organisation at the Centre which should create productivity consciousness in the country. It should stimulate the establishment of local productivity councils at places of concentration of industries.

COMPANY AFFAIRS

THE TATA MILLS LTD.

The net profit per loom of the Tata Mills Ltd., rose from Rs. 433.87 in 1955 to Rs. 1,039.46 in 1956, thanks to the short rise in the total amount available for disposal, after providing for Managing Agents' remuneration, depreciation and bonus, from Rs. 7,80,967 to Rs. 18,71,028. There was a fractional rise in the Managing Agents remuneration from Rs. 1,57,386 to Rs. 1,68,985, but the provision for depreciation fell sizably from Rs. 20 lakhs to Rs. 11.87 lakhs and that for taxation from Rs. 55,800 to nil. Bonus, amounting to Rs. 9,70,000 for the four years 1952, 1953, 1954 (at 4.8 per cent of basic wage) and 1955 (at 10.9 per cent of basic wage) under the Five-Year Bonus Agreement between the Bombay Millowners' Association and the Rashtriya Mill Mazdoor Sangh became payable during the year (1956) under review. Labour also got the benefit, with retrospective effect from November 22, 1954, of gratuities which entailed a payment of Rs. 26,500 to those who retired prior to the publication of the Award. With the extension to Bombay of the Employees' State Insurance Act, the insurance carried on by the Millowners' Mutual Insurance Association Ltd. was taken over by the E.S.I. Corporation and the Company's share of Rs. 68,325 out of the M.M.I.A.S. total Reserve Fund Account of Rs. 16.85 lakhs was made over to the Bombay Millowners Association for acquiring an immoveable property in Bombay for its use.

Out of the profits for the year under review, General Reserves got Rs. 8 lakhs, as against nil in the previous year and Gratuity Reserve Rs. 1.35 lakhs as against Rs. 85,000, while Dividend Reserve received nil, as compared to Rs. 6.52 lakhs in 1955. The Directors have recommended payment of a dividend of Rs. 3 per ordinary share and a bonus of 50 Naye Paise per share for the year, as against Rs. 4 per ordinary share for 1955, but then the latest dividend is on an increased paid-up capital consequent on the issue of new ordinary shares (at the rate of one share per share held) in November, 1955.

The Directors report that "the Company's plan for the reorganisation of the mills is making very satisfactory progress and machinery of the value of Rs. 23.33 lakhs was installed during 1956". At the end of the year, they add, "machinery of the value of Rs. 2,71,000 was awaiting installation". Gross block depreciation and net block of the Company at the end of December, 1956 stood at Rs. 2,01,67,222, Rs. 80,31,256 and Rs. 1,21,35,966, respectively.

SWADESHI MILLS COMPANY LIMITED

The trading conditions in the Textile industry were rather stale after September 1956 due to an increase in the excise duties and the credit restrictions imposed by banks under Government directions. The directors of the Swadeshi Mills Company Limited feel that the cloth markets are still languishing with poor demand at unremunerative prices. The sales of the company in respect of cloth, yarn and wastes have declined to Rs. 356.2 lakhs during the year ended December 31, 1956 as against Rs. 373.6 lakhs during the previous year. The audited accounts of the company, however, show higher profits during the current year at Rs. 31.8 lakhs (after providing for Managing Agents' remuneration, depreciation and bonus) against Rs. 15.5 lakhs during the year ended December 31, 1955.

A sum of Rs. 16.0 lakhs has been transferred to General Reserve and Rs. 1.4 lakhs to Gratuity Reserve. The directors have recommended a dividend on Ordinary Shares at Rs. 12 and a bonus at Rs. 2 per share (without deduction of income-tax) to which account Rs. 14.0 lakhs have been appropriated.

The Company, while implementing the plan for the reorganisation and renovation of the mills, has installed machinery of the value of about Rs. 6.56 lakhs during 1956. Machinery for Rs. 10.8 lakhs has been received and orders for machinery worth Rs. 34.0 lakhs have still to be placed by the Company.

THE ELGIN MILLS COMPANY LTD.

In spite of the difficult trading conditions and uncertainty prevailing in the Cotton Textile Industry, the Company, during its working in year ended September 30, 1956, has shown profit of Rs. 25.8 lakhs (after providing for Depreciation and adjustments).

From the profits of the current year deductions for General Reserve and Rehabilitation Reserve have been made to the extent of Rs. 2.0 lakhs and 15.0 lakhs respectively. A sum of Rs. 10.0 lakhs, being amount of Provision for Taxation no longer required, has also been transferred to Rehabilitation Reserve, making a total transfer of Rs. 25.0 lakhs in that account. This reserve is substantial in order to conserve the financial resources of the Company to meet the cost of an extensive capital Replacement programme.

The directors have recommended the payment of dividend of Rs. 1-4 per share (12½ per cent) an Ordinary and Vendors shares. Total amount appropriated to Dividends (preference, vendors and ordinary) is Rs. 7,87,500 and an amount of Rs. 78,754 has been proposed to be carried forward.

47 Years'

SOUND & REPUTED BANKING SERVICE

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N. M. CHOKSHI

General Manager.

COMMODITY NEWS AND NOTES

IRON ORE DEPOSITS IN INDIA

There was a record production of 4.65 million tons of iron ore in India during 1955. The value in terms of money was Rs. 3.24 crores. Two States of the Indian Union — Bihar and Orissa between them, accounted for 85 per cent of the total production. A mineral of world importance, extensive deposits of good quality iron ore are scattered in several areas in Bihar, Orissa, Madhya Pradesh, Andhra and Mysore. The approximate estimates of reserves of iron ore in the country are 21,000 million tons. The statewise figures are:— Bihar and Orissa — 8,000; Madhya Pradesh — 7,000; Mysore — 2,500; Madras — 1,000; Bombay — 300; Andhra — 54 and others — 2,100. Out of the estimate, the proved and indicated reserves are 6,400 million tons. The total iron content in all classes of ore may be put at 12,000 million tons. Nearly three-fourths of the output is being smelted in the country for reduction to pig-iron and for making steel. The rest is exported. Japan is the principal consumer of iron-ore from India. There was a record export in 1955 of 1.2 million tons which fetched foreign exchange worth Rs. 5.3 crores.

INDIGENOUS PRODUCTION OF SUGAR

The production and despatches of indigenous sugar amounted to 17.01 and 9.44 lakh tons up to April 15, 1957, in the current season, as against 15.46 and 7.55 lakh tons respectively in the corresponding period of the last year. The stock with the factories on this date stood at 12.85 lakh tons, as compared with 12.21 lakh tons last year.

TEA EXPORT DUTY REDUCED

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 2.41 per lb. as against Rs. 2.74 per lb. in force from April 1, 1957. The export duty at this price will be Naye Paise 25 per lb. as against Naiye Paise 37.50 per lb. in force hitherto.

RICE PRODUCTION

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of rice for 1956-57 puts the current year's area and production of the crop at 78,174,000 acres and 28,142,000 tons respectively as against the partially revised estimate of 76,864,000 acres and 26,846,000 tons for 1955-56. This shows an increase of 1,310,000 acres or1. 7 per cent in area and 1,296,000 tons or 4.8 per cent in production during the current year as compared to the previous year.

Both area and production of rice during the current year touched all time records at 78.2 million acres and 28.1 million tons. The next best year for rice crop was 1953-54, when area and production were 77.3 million acres and 27.8 million tons respectively.

All the principal rice producing States except West Bengal and Orissa share the increase in acreage during the current year. The increase in acreage has been attributed generally to favourable seasonal conditions at the time of sowing. The increase in area is more marked in the case of Andhra Pradesh, Bihar, Uttar Pradesh, Bombay, Madhya Pradesh, Punjab and Rajasthan States.

Increase in production has been reported by all the States except Uttar Pradesh and is partly due to increase in acreage and partly to favourable climatic conditions during the growing period. Notable increases in production have been reported by Bihar, Madhya Pradesh, West Bengal, Andhra Pradesh, Madras, Assam and Punjab. Decrease in production has only been reported by Uttar Pradesh despite the increase recorded in area and have been attributed to adverse seasonal conditions and damage caused to the crop by floods.

INCREASED PRODUCTION OF MINERALS: MORE EMPLOYMENT IN MINES

There was increased production of minerals and more employment in mines in India during 1955, according to the Indian Bureau of Mines. The production in terms of rupees was 105.6 crores as against 102.6 crores during the preceding year. The average daily employment in mines was 591,000 as against 568,000 during 1954. The value of minerals production was very nearly 1 per cent of the total national product. The increase in the value of mineral production in 1955 was mainly accounted for by coal and mica of which the latter commanded a good export market during the year.

IMPORT OF COTTON

The Government of India have decided to permit the import of a further quantity of cotton, of 1956-57 crop, over 1-3/16" staple length against a special payment procedure. These imports will be permitted only against contracts approved by the Textile commissioner, Government of India, Bombay.

Intending importers may contact the Cotton Adviser, Office of the Textile Commissioner, Bombay or the Joint Chief Controller of Imports and Exports, Bombay for details regarding the grant of these licences.

EXPORT OF COTTON PIECEGOODS

The Government of India has extended free licensing of all varieties of cotton piecegoods (mill-made and power-loom) and cotton manufactures including cotton waste blankets, other than restricted varieties for export up to December 31, 1957. The existing procedure and other conditions would continue, it has been announced.

BURLAP FEED BAG FOR U.S. MARKETS

Plans for the introduction of 50 lb. burlap feed bags in the U.S. market were announced at the open industry meeting of the National Burlap Bag Dealers Association's 24th annual convention held in New York recently, according to a report in the Jute Bulletin of the Indian Central Jute Committee. The 50-lb feed bag, it was emphasised, would find favour in the industry leading to a substantial increase in American consumption of burlap, as not all feed manufactures were satisfied with the bulk method of shipment. It has also been reported that prospects for increased Argentine purchases of burlap were good since the indications were that there would be little burlap on hand by the end of the year.

U.K.'S DOLLAR RESERVES

The British gold and dollar reserves increased by $111 million in April and at the end of the month amounted to a total of $2,320 million, the U.K. Treasury has announced. According to provisional figures, Britain last month had a credit balance of $16 million with the European Payments Union.

MAIZE PRODUCTION HITS NEW HIGH

The all-India final estimate of maize for 1956-57 puts the current year's area and production of the crop at 9,224,000 acres and 3,020,000 tons respectively as against the partially revised estimates of 9,116,000 acres and 2,554,000 tons for 1955-56 says a Food and Agriculture Ministry Press Note. This shows an increase of 128,000 acres or 1.4 per cent in acre and 466,000 tons or 18.2 per cent in production of maize during the current year as compared to last year. Production of maize during the current year is the highest on record.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	100.7	88.4	113.6
1955-56 ..	313.2	419.7	338.2	372.9	546.4	360.3	90.9	100.8	87.3	121.6
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
September 1956 ..	393.2	507.0	408.3	391.4	567.3	419.9	90.7	100.3	83.7	126.8
October ,, c ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March ,, c ..	402·5	518·0	403.3	384.1	569.8	421.2	89.9	98.9	89.8	111.5
Week Ending										
9-3-1957 ..	402.4	519.3	403.7	384.2	569.7	421.5	90.0	98.9	80.0	111.9
16-3-1957 ..	402.3	514.1	404.1	384.5	567.9	420.8	90.0	99.0	80.1	111.9
23-3-1957 ..	403.6	520.8	403.8	386.9	567.1	422.0	89.9	98.9	79.7	111.5
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7*	90.0	98.9	79.3	109.2
6-4-1957 ..	403.4	514.7	398.8	384·0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513 6	399.6	384·1	565.9	421.2	89.9	99.0	78 7	106.8
20-4-1957 ..	410·7	516.4	400.4	384.1	568.5	423·1	90.0	99.0	78.4	107.0

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	—	—	356	—	—	145
1956 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	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	148
August	344	361	253	147	368	445	404	154	372	154	151	150
September	336	352	256	149	366	445	405	153	368	151	156	149
October	342	358	261	152	364	449	—	153	362	153	153	149
November	340	356	—	154	361	446	—	—	369	—	—	152
December	340	356	—	151	356	436	—	—	370	—	—	150
1957 January	339	355	—	—	354	436	—	—	372	—	—	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	26-4-1957			19-4-1957			12-4-1957			5-4-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	105-13	105- 6	105-10	106-12	105- 5	105-12	106- 1	105- 0	105- 9	106- 0	104- 8	105- 3
Silver (per 100 fine tolas)	181-14	179-13	180-15	182- 1	179- 4	180- 8	180- 7	178- 7	179- 3	180- 2	177-10	178-15

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	ASSETS: Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52:91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.86	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
15-3-1957 ..	1,524,71	11,41	1,536,12	117,76	412,52	530,28	34.5	120,86	884,97	1,536,12
22-3-1957 ..	1,517,79	19,41	1,537,20	117,76	412,52	530,28	34.5	121,95	884,97	1,537,20
29 3-1957 ..	1,526,09	11,77	1,537,86	117,76	412,52	530,28	34.5	122,61	884,97	1,537,86
5-4-1957 ..	1,563,57	7,88	1,571,45	117,76	412,52	530,28	34.0	126,20	914,97	1,571,45
12-4-1957 ..	1,574,42	6.62	1,581,04	117,76	412,52	530,28	33.8	125,85	924,90	1,581,04

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39* ..	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,90	19,09
Week Enbing														
15-3-1957 ..	54,87	22,78	52,03	74,38	204,06	143,79	375,86	11,58	3,18	130,23	9,64	108,87	80,82	13,54
22-3-1957 ..	53,63	35,15	51,10	74,57	214,45	147,73	372,18	19,59	2,58	125,21	5,81	124,73	80,82	13,45
29-3-1957 ..	64,57	31,95	57,77	74,28	228,56	161,03	399,59	11,95	2,98	114,31	7,65	127,87	121,22	13,61
5-4-1957 ..	60,59	7,90	60,00	74,49	202,98	150,30	363,29	7,98	15,24	112,82	15,65	106,04	91,97	13,57
12-4-1957 ..	53,60	1,54	69,83	74,35	199,32	149,22	358,54	6,71	18,74	18,74	104,20	104,40	92,91	13,18

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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: Demand (2)	Time (3)	Total (2+3) (4)	Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5+6) as percentage of (4) (7)	Advances (8)	Bills Discounted (9)	(8+9) as percentage of (4) (10)	Investments in Govt. Securities in India (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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
June 1956 ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8 00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7 88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36 01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
November ,, ..	645,84	457,42	1,103,26	36,36	50,64	7.99	601,41	162,79†	70.24	365,95
December ,, ..	650,85	460,19	1,111,04	36,63	51,06	7.98	611,97	168,62†	71.07	365,11
Week Ending										
15-3-1957 ..	706,72	467,17	1,161,90	35,66	51,59	7.51	710,51	166,20†	75.46	348,96
22-3-1957 ..	701,09	466,86	1,156,76	36,90	52,34	7.71	711,24	171,33†	76.30	348,09
29-3-1957 ..	708,46	473,16	1,171,42	34,28	54.54	7.58	721,77	176,00†	76.64	347,41
5-4-1957 ..	725,89	480,31	1,196,25	39,44	62,12	8.49	716,19	182,31†	75.11	347,23
12-4-1957 ..	725,85	487,69	1,203,27	38,78	64,06	8.55	716,31	185,96†	74.98	346,01

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

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply with the public (2)=(3)+(4)	Total currency with the public (3)	Deposit money with the public: Total (4)	Demand liabilities of banks (5)	Other deposits with Reserve Bank† (6)	Total variations in money supply (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
1956-57 ..	2,301,84	1,550,47	..	..	..	..
March 1956 ..	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	+43,79
May ,, ..	2,225,97	1,539,66	686,31	675,69	10,61	—2,14
June ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,109,41	1,435,95	673,46	662,92	10,54	—25,51
October ,, ..	2,123,00	1,442,52	680,48	669,64	10,84	+13,59
November ,, ..	2,151,46	1,462,01	689,45	677,99	11,46	+28,46
December ,, ..	2,178,65	1,485.34	693,31	681,35	11,96	+27,19
January 1957 ..	2,220,06*	1,508,40*	711,66*	700,89*	10,77	+41,41*
February ,, ..	2,262,25*	1,527,01*	735,25*	723,45*	11,78	+42.19*
March ,, ..	2 301,84*	1,550.47*	751,37*	739,72*	11,65	+39 59*

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

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF AGRICULTURAL PRODUCTION

(Base: Pre-war = 100)

Region and country	Food Production 1952-53	1953-54	1954-55	1955-56†	Total Agricultural Production 1952-53	1953-54	1954-55	1955-56†
Europe								
Austria	100	109	105	115	100	110	105	115
Belgiug-Luexbour	124	125	133	136	123	124	132	136
Denmark	129	135	134	132	129	135	134	132
Finland	128	138	134	132	128	137	134	131
France	108	110	125	126	108	117	125	126
Germany, Western	113	119	119	118	113	118	119	118
Greece	111	138	137	132	107	134	136	138
Ireland, Rep. of	103	111	118	112	103	111	117	112
Italy	119	134	127	135	118	133	125	133
Netherlands	130	129	136	137	132	130	137	139
Norway	114	117	124	123	114	117	124	123
Portugal	112	138	134	123	113	139	135	124
Spain	101	98	102	97	103	100	104	101
Sweden	114	115	112	103	114	115	112	104
Switzerland	118	117	119	116	118	117	119	116
United Kingdom	127	135	137	130	127	134	136	130
Yugoslavia	73	110	88	119	72	109	90	120
North America								
Canada	179	165	118	152	180	166	121	154
United States*	146	147	147	150	142	144	143	146
Latin America								
Argentina*	92	122	116	121	90	117	112	115
Brazil*	127	132	138	147	129	131	137	146
Chile*	127	136	136	141	127	135	134	139
Colombia*	170	168	182	179	171	175	175	182
Cuba	143	143	138	143	145	145	141	144
Mexico	153	159	176	166	166	171	195	191
Peru*	143	150	159	165	138	144	155	159
Uruguay*	125	133	136	125	133	138	142	132
Far East								
Burma	89	87	87	87	90	88	89	89
Ceylon	138	143	154	162	142	146	153	160
China Taiwan	117	120	126	131	119	121	127	134
India	109	120	120	120	106	117	118	118
Indonesia	99	107	114	109	111	115	123	118
Japan	120	107	117	137	112	100	109	128
Korea, South	94	109	109	109	93	107	110	109
Malaya, Federation of	104	103	108	108	129	127	130	140
Pakistan	112	116	118	114	109	107	111	109
Philipppines	142	146	148	150	133	137	138	141
Thailand	142	163	133	158	154	175	150	176
Africa and Near East								
Algeria	104	113	123	109	104	115	123	109
Egypt	122	136	149	145	119	120	132	128
Madagascar*	127	126	126	129	126	127	126	129
Morocco (former French zone)	131	150	157	141	133	151	157	141
Tunisia	125	139	133	105	122	136	130	103
Turkey	168	185	151	170	171	187	155	174
Union of South Africa*	140	157	173	170	132	147	161	160
Oceania								
Australia	116	120	118	125	119	121	121	129
New Zealand*	119	120	117	122	123	124	125	128

† Preliminary. * Index numbers refer to calendar years 1952, 1953, 1954 and 1955.

Note: Tre Food Production index relates to the production of crops and livestock products for human consumption. Crops and milk used as food in livestock production are deducted to avoid double counting. The Total Agricultural Production index includes, in addition to the item in the Food Production index, fibres, tobacco, industrial oilseeds and rubber. These indev number base period is 1934-38 for most countries. Exceptions are: Western Germany and Greece, 1935-38; Spain 1931-35; South Korea, an average of 1930, 1934, and 1936; India Pakistan, 1936-38; Australia, 1936-39; and Canada, Madagascar, New Zealand, Union of South Africd, United States, and the South American countries, 1935-39.

These indices may differ from national indices produced by the countries themselves of differences in coverage, weights, and methods of calculation.

Source: F.A.O. Bulletin, February, 1957.

INDUSTRIAL OUTPUT

Monthly average or calendar months

		Coal Raisings tons (000)	Iron & Steel (finished steel) tons (000)	Cotton Manufactures (piece goods) yards (Millions)	Jute Manufactures Tons (000)	Sugar Tons (000)	Paper Cwts (000)	Cement Tons (000)	Ammonium Sulphate Neutral Tons	Index of Industrial Production (Base: 1951=100)
1950		2,666	82.7	305.4	69.7	36.4	181.5	217.7	3,942	..
1951		2,869	87.6	339.6	72.9	96.0	219.9	266.3	4,392	100.0
1952		3,025	89.7	383.2	79.3	113.2	229.3	294.8	18,359	103.6
1953		2,998	85.3	406.5	72.4	108.1	233.0	315.0	26,635	105.6
1954		3,073	101.0	416.5	77.3	90.5	258.8	366.5	28,352	112.9
1955		3,165	100.6	424.5	85.6	134.6	308.1	373.9	32,758	122.1
1956		3,285	105.3	442.2	91.1	162.5	322.3	410.7	32,415	132.7
1956	January	3,207	106.3	413.8	88.9	354.8	319.4	401.1	36,327	122.9
	February	3,358	106.6	425.4	92.8	353.6	296.2	394.3	33,754	134.3
	March	3,363	109.9	418.8	99.3	335.1	323.9	430.5	29,428	128.6
	April	3,224	100.7	420.8	93.9	249.4	310.0	395.0	31,816	134.8
	May	3,316	99.7	452.6	101.7	132.9	329.4	418.0	29,084	151.1
	June	3,195	95.2	451.4	98.9	60.0	314.7	413.8	25.173	199.8*
	July	3,165	110.0	467.0	94.1	7.3	334.9	395.5	33,002	152.7
	August	3,307	111.3	438.3	89.6	3.5	325.1	397.6	33,259	133.2
	September	3,123	104.9	465.6	84.5	8.8	322.4	399.5	29,431	146.5
	October	3,164	105.5	443.4	80.4	12.1	320.4	410.8	37,400	131.7
	November	3,325	108.2	430.1	83.8	97.7	320.1	412.1	35,831	142.1
	December	3,674	105.4	479.3	84.9	335.3	351.4	459.2	34,475	136.3

* Figures under examination.

ESTIMATES OF PER CAPITA NET NATIONAL PRODUCT OF 55 COUNTRIES EXPRESSED IN US DOLLARS: ANNUAL AVERAGE 1952-1954

At factor cost

Range in US dollars	Africa Country	Per capita	American Country	Per capita	Asia Country	Per capita	Europe Country	Per capita	Oceania Country	Per capita
Over 1000			Canada	1310			Switzerland	1010		
			U.S.	1870			Sweden	950	New Zealand	1000
							Luxembourg	890	Australia	950
							Belgium	800		
750-1000							U.K.	780		
							Iceland	780		
							Denmark	750		
			Venezuela (1)	540			France	740		
500-749							Norway	740		
							Finland	670		
							Germany	510		
							Netherlands	500		
					Israel	470				
	Union of South Africa	300	Argentina	460	Malaya (1)	310	Ireland	410		
			Puerto Rico	430	Lebanon	260	Austria	370		
250-499			Chile	360			Italy	310		
			Cuba	310						
			Colombia	250						
			Panama	250						
					Turkey	210	Greece	220		
	Egypt	120	Brazil	230	Japan	190	Portugal	200		
	Rhodesia and Nyasaland	100	Mexico	220	Philippines	150				
Under 250	Belgian Congo	70	Jamica (2)	180	Ceylon	110				
	Kenya	60	Dominican Republic	160	Thailand (1)	80				
	Uganda	50	Guatemala	160	Korea	70				
			Ecuador	150	Pakistan	70				
			Honduras	150	India	60				
			Paraguay	140	Burma	50				
			Peru	120						

(1) 1952 and 1953. (2) 1952.

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The Eastern Economist

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GOVERNMENT OF INDIA

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An Icy Blast

THE Budget proposals introduced by the Finance Minister last Wednesday provide for commerce and industry in the country an icy blast. It may possibly be that, when these proposals are more happily digested, the shock which the Stock Exchanges have recorded will tend to be reduced and possibly, to some extent, reversed. But it is quite clear that the cheerful pre-Budget anticipations that the Finance Minister's bark would be worse than his bite were fundamentally mistaken. If the Stock Exchanges had assumed that current levels before the Budget had discounted the worst that the Finance Minister had in mind, they must be very sorry guides to the structure of the Finance Ministry's mind. The first observation that can be made on the Budget is the marked element of surprise which has been visited on many financial institutions in the country. The Finance Minister's armoury and his will to use it recklessly are still, it seems, far from exhausted.

The Stock Exchanges need not by themselves be taken too seriously. They are, indeed, good barometers of both the speculative and investment mind. But they are not necessarily good barometers of the national interest or of that vast amorphous mass of Indian opinion which has no measure or stake in the operations of buying and selling which dominate the lives of the business community. It may conceivably be that in the present case the national interest differs markedly from the interest of the business community;

that seemed to be the Finance Minister's case in a notably eloquent and, in parts, passionate speech. On the other hand, one must enquire seriously whether the Finance Minister has provided the essential link by which the national interest can be advanced by what the business community believes it has lost. If we gained enough on the swings to offset our losses on the roundabouts all would have been well. That seems by no means to be the case.

The link by which the national interest can be advanced must be production, and production only. In the last analysis it does not matter whether substantial transfers are made from one section, even if it be an active section, to another, even if it should be, for the most part, a passive one. The crucial test is whether the operations on the whole will lead to a fulfilment of the Plan or even an opportunity for higher activity outside it. *The Eastern Economist* does not believe that this will be the case.

To the extent that higher taxation will contain inflation it is obviously to be welcomed. To the extent that it promotes inflation by the reduction of production of consumer goods, it is obviously to be deprecated. On the face of it, the taxation component is likely to be more deflationary than the operation of new taxes is inflationary by reducing production. In a Special Article elsewhere in this issue it is shown that the general index of wholesale prices might conceivably rise between 6 and 7 points at the most and, on the face of it, there is no reason why consumer goods production as a whole should be lower as a result of the Budget. In other words, *prima facie* the large element of excise duties amounting to Rs. 49 crores is deflationary rather than otherwise, since it greatly reduces the volume of deficit financing without affecting current production.

But while current prices and current production have not been markedly affected, it is quite otherwise with future production, necessarily important in a development plan. Quite apart from the deep psychological blow struck at confidence, there is the problem of how much of the new excise duties will be taken by the consumer and how much they will be forced back on industry. In the case of the cotton excise added last year, broadly the incidence was shared fifty : fifty. If one assumed this would happen in all the industries affected, one might claim that Rs. 25 crores would be the direct incidence on industry apart from the higher Corporation tax. Rs. 12½ crores of this reduction in profits would be taken by the Government, which seems cheerfully to have ignored the incidence on itself of a squeeze on profits. But the shareholder has naturally reacted bearishly to the other half. A reduction of dividends or reserves of this order cannot be lightly contemplated.

This is why the Stock Exchanges have responded in a markedly panicky way. Obviously, the Budget has created the impression that opportunities for Capital Gains, whether by Bonus Shares or otherwise, have been for all time abandoned. And dividends must be lower notwithstanding some trivial relief on distribution. Thus it comes about that the investor, who has not in the last twelve months received any encouragement, has been further injured. If enhanced private investment was a vital element in the Plan, this would be to strike a deadly blow at the Plan itself. To the extent that corporate savings can replace the private investor, one need not take too gloomy a view of his discomfiture. But, of course, corporate savings alone cannot do the trick. For where are they higher than before?

In the last analysis, this Budget must be described in invisible terms. It has impressed on the Indian people the determination of the Government of India to go socialistic in more than its taxation measure. Relief on personal taxation amounting to Rs. 7.5 crores is no departure from this determination, since the tax on wealth and, in time to come, the expenditure tax will absorb a substantial amount of the increased incentive which lower personal taxation rates have induced. The private sector, apart from a gesture, here and there, is being forced to give ground. There is thus evidence that the determination to proceed with the Plan is not merely great, but it is also heavily loaded against the instruments of private incentive which are, broadly speaking, the investor and the corporation in which his assets are framed. If this should be the pattern of all future Budgets, one might argue that the private sector in this country has been served with notice that its operations will be conducted in an atmosphere of such onerous financial pressure that, in the last analysis, it will be dependent on the Government for all new capital. Thus socialism will be established by making all economic activity dependent on the Government's pleasure. That is both a politically dangerous, and an economically unwise, end of public policy.

The Eastern Economist considers that the Finance Minister has erred greatly in assuming that this is the solution for India's current problems, even if, for a short period, he should obtain the finance he needs for the Plan. For, in the process of obtaining finance from the private sector, which provides his main suppliers, he will be hampering their and, therefore, his own operations. Robbing Peter to pay Paul is no solution of the Indian planning dilemma. The national interest requires that both the public and private sectors should move hand in hand in the production programme in the Plan. If the public sector should have all its resources and the private sector deprived of all initiative, the net effect may be worse, but certainly no better, than it is now. It is greatly to be feared that this heavy dose of socialist political ideology will recoil on both the Congress Party and the Government of India when it is shown, as it will be in a short time, that these measures are no solution to the basic weaknesses of the economy. For an economy short of private incentive and sound public organisation the Finance Minister has decreed less private incentive and no greater public efficiency.

In the result this Budget is a mistake; how great a mistake will depend on the capacity of the public sector to perform adequately the tasks which it has taken on itself by withdrawing elementary resources from its private counterpart. Those who know the operation of the public sector in this country cannot be hopeful that it will measure itself up to its self-appointed task. Even if the Finance Minister gave to the public sector all the rupees it required it would fail to do its job, for, notoriously, finance alone cannot save an unwieldly and wasteful organisation. To the extent that it fails the Finance Minister and the Central Government will have forfeited the confidence of the nation. One wonders why they have chosen so desperate a risk at this critical time.

GOVERNMENT OF MADRAS

Railway Finances

THE Railway Budget introduced by Mr. Jagjivan Ram on Tuesday this week contained no surprises, and seemed designed to spread complacency. If anything, what should cause surprise is the naive manner in which estimates have been made of working expenses. In spite of the fact that substantial rises in labour costs have been displayed elsewhere, the Railway Minister has chosen to take no account of this inflationary factor. This is certainly strange because only recently a special committee was appointed by the Railway Minister himself to report on the revision of the emoluments of Class IV employees in the railways. These employees constitute the majority of the labour force and the increases in their wage bill will not be negligible. Why then has he kept the working expenses for the current financial year at the March figure of Rs. 244.16 crores? This is to fly in the face of evidence and to introduce an element of doubt in the statistics bordering on the misgivings which attend statistics on food production. Almost all, if not all and more, of the increase in gross traffic receipts of Rs. 9.4 crores will be absorbed in the increased working expenses. It might encourage the unwary to see an enhanced surplus from Rs. 21.43 crores in the interim budget estimates to Rs. 30.83 crores. But no deep student of the railways will accept this easy solution of the exacting problems of Indian railway financial planning.

The answer is certainly not to cut expenditure on railway development. The whole of the additional Rs. 200 crores now suggested, and perhaps more, is required. What is important is that one should recognise that this must mean a substantial cut in the Plan elsewhere even though where it is to fall cannot yet be indicated. Secondly, there should be recognition of the fact that a rising paper net surplus is no answer to the yawning real financial gap. The Railway Minister has left all basic financial problems on railway development unanswered. It is all very well to plan greater movement, which is certainly essential from the point of view of the traffic offering. What seems to be a major error is the failure to accept the logic of this decision in terms of the new financial burdens it imposes on the country at large. If railway working expenses chase gross traffic receipts—as they certainly will—how can the surpluses increase substantially and assist net capital formation on the railways?

This budget assumes importance, however, by reason of the fact that it marks the end of vascillation on the size of the railway plan. It was recognised from the start that an increase of 50 per cent, or 60.8 million originating tons, in railway freight transport capacity, raising it to 180.8 million tons during the second Plan period, was the minimum which must be achieved. Financial allocation, however, was made for a capacity of 162 million tons, or extra 42 million tons. Developments subsequent to the formulation of the second Five-Year Plan, including specifically the steep upward revision of the agricultural target, gave unmistakable indication that the original estimate of transport capacity of 180.8 million tons would prove conservative. The present additional allocation of 42 million tons in capacity provides a mere 7 million tons for general industrial and agricultural production. The balance, representing the bulk, has been reserved for the movements required for the steel plants, coal and cement. This is a prospect which could not be faced with equanimity and a pious proviso that capacity would be increased as resources became available was in no sense helpful. The resources have to be found and planned sufficiently in advance for the procurement of the equipment. From where, is the unanswered question.

The allocation of responsibility for the outlay of Rs. 1,125 crores required for the attenuated railway plan, intended to create additional carrying capacity of 42 million tons, should make it clear that a redistribution in the shares of the Central Exchequer and the railways themselves must be decided upon if the target of capacity is to be raised. The financial problem of the railways has proved difficult to tackle in its foreign exchange component during the last few months and as a result there has been a considerable slowing down in the tempo of expenditure. The Exchequer has undertaken responsibility to allot Rs. 375 crores for the rupee component of the railway expenditure programme. To raise the residue, which was originally estimated at Rs. 375 crores is the liability of the railways. Meantime, the cost of the railway plan is steadily going up. On present reckoning, it will be inflated by not less than Rs. 100 crores. This is not the end of the chapter on additional cost for the railway expansion programme. Once a decision has been made that the uncovered gap of 18.8 million tons in the requisite transport capacity must be covered it becomes incumbent to fix responsibility for providing the outlay that it involves. The Railway Ministry places the cost of bridging this gap in capacity at Rs. 100 crores. It is far from clear how this estimate was arrived at and the overwhelming probabilities are that in course of time this estimate too will entail an added element of inflation.

Only a fraction of the additional outlay of Rs. 200 crores now envisaged can come from the higher traffic which the railways will carry with their expanded capacity. By and large, a definite source must be found outside the railway earnings to defray that outlay. In his speech introducing the interim budget in March last, Mr. Jagjivan Ram announced that it would be possible for him to take definite decisions on the recommendations of the Freight Structure Enquiry Committee and incorporate them in the regular budget. This has been deferred for the time being although the Committee's report was tendered a few days back. An elaborate technical investigation is being carried out for the purpose of a revised schedule of goods tariffs. The Railway Minister seems to have made up his mind that the extra cost of the railway plan should be met out of the current earnings. It must be recognised, and recognised quite categorically, that the consequences of imposing the burden of the extra outlay on development on freight rates in particular is bound to spell inflation all over. This prospect must be avoided. In the result, the responsibility for the provision of the additional finance ought to be accepted by the Central Exchequer.

The Challenge of the Wages Bill

THE recent spate of upward revisions in the emoluments of the employees in the fixed income groups, both in the public and the private sectors, has raised the fear that a policy of wage appeasement may lead the economy straight into a wage inflation. The Indian economy is already poised dangerously for an inflationary spell and if great care is not taken, bouts of wage and price inflations may succeed each other. What is the order of present commitments and the irresistible consequences of current policies on relief to low-income and other groups?

Let the last come first. Last week Mr. T. T. Krishnamachari upgraded the pay scales of about 21,000 employees of the Life Insurance Corporation, including 16,000 persons belonging to the clerical cadre and 5,000 of the subordinate service. The revised emoluments have enhanced the expenditure of the Corporation by about Rs. 60 lakhs per annum. This additional burden has not been necessitated by the rising prices alone. The employees of the Corporation who were brought under one banner by the nationalisation of all the Life offices in this country were not satisfied with the pay scales which were announced some time ago. No doubt, the integration of several units with widely divergent scales of pay poses an intractable problem: the tussle between the disgruntled employees and the Corporation had, therefore, an evil effect on the working of the Corporation, so much so that the new business in 1956 dropped by Rs. 68 crores to Rs. 200 crores only. The fresh burden has, in fact, been imposed on the Corporation in order to buy the active co-operation of the employees. The new scales are similar to those of the Oriental Insurance Company — the premier Life office in the pre-nationalisation era — and wherever the scales deviate from that of Oriental, the benefit goes to the employees.

Within three days of the announcement of a revision in the pay scales of the insurance employees, the report of the Wage Board set up under the Working Journalists Act for fixing the minimum basic wages, rates of dearness allowance and local allowances for different categories of journalists was released. The Wage Board sought to classify newspapers and weeklies on the basis of their gross annual revenue and to fix the minimum salaries of journalists in the various categories. The dearness allowance has been linked with the all-India cost of living index published by the Labour Bureau of the Government of India. It will be some time before a clear idea of the burden of the higher wage bill on newspapers and periodicals can be formed. Considering the number of journalists involved, it can however, tentatively be hazarded that the new impost will be nearly Rs. 1 crore, if not more.

In the second week of February, the Railway Minister revised the grades, promotion opportunities and salary scales of non-gazetted officials. This decision was made on the eve of the elections and involved an extra burden on the Railways which is estimated to be a little above Rs. 2 crores. In the same month, the decision of the Labour Appellate Tribunal raised the total emoluments of all the categories of workers in the coal industry, imposing an additional expenditure of Rs. 4 crores per annum. Since the appellate decision will take effect retrospectively from the enforcement of the scales awarded by the lower tribunal, the industry may possibly be required to bear the burden of the arrears for one year, depending, however, upon the decision of the Supreme Court.

Recently, the Government of India has decided to extend the scheme of Central assistance to the State Governments for bettering the emoluments of teachers up to the secondary level. The Central Government has shown its willingness to foot half the bill for financing this scheme, and it is estimated that the Central commitment will amount to nearly Rs. 4 crores per year.

The Eastern Economist believes that the claims for revisions in the salaries of the fixed income groups could not all be resisted because of the rising cost of living. Whereas no reliable indices of consumer prices are available for the middle classes, those of the working classes show the nature as well as the extent of the rise. The all-India cost of living index (Base: 1944 = 100) has recorded a rise of 15 points; it stood at 148 in January, 1957 as against 133 in January 1956. It is estimated that in the month of May, the index may rise to 158. If this estimate turns out to be correct, the cost of living will have risen by 15 points over May 1956 and 31 points over May 1955. It means that the internal purchasing power of the rupee will have dwindled by nearly 25 per cent between May 1955 and May 1957. The planners had envisaged a fall of this magnitude only at the end of the plan and not at the outset of the second year of the plan. The greatest single contributory factor to this alarming rise in the cost of living index is undoubtedly the disproportionate rise in the food component. Food prices which always drop at this time of the year, have either remained stable (perhaps in wheat-growing areas only) or have risen. Reports of scarcity in Bihar have created great concern. The crux of the whole problem of price inflation or wage inflation is the paucity of consumer goods, especially food. It seems that despite a "record" food crop this year (as revealed by official statistics?) the available surplus, coupled with imports, has fallen short of demand which has increased due to a rising population and increased per capita consumption.

A policy for curbs on inflation necessitates a readjustment in the priorities of the development programmes in the plan. The making of a policy for food prices is a condition of price stabilisation. If such a policy is not implemented without delay, the dangerous trend which has already exhibited itself will not be contained. There is justice in the raising of both salaries and dearness allowance; but justice will not be enough. If income rises generate price rises which in turn generate income rises, where and to whom will justice be done? To seek a solution merely by augmenting the wages bill is, therefore, to start at the wrong end. There is only one end at which to start; it is to increase the availability of food supplies, by imports first and thereafter a policy of real, instead of imaginary, production. If this is not done, social justice will be impossible to work however good it may look on the surface.

THE WEEK'S NOTES

"DECENTRALIZATION" IN RUSSIA

MR. NIKITA KHRUSHCHEV has announced what is described as sweeping "decentralization" of the Soviet Union's economic administrative apparatus; a "transfer of the centre of gravity" to territorial and local management is believed to have been effected. Of more than 30 Soviet Ministries concerned with industrial production and the processing of raw materials, only eight are to be retained though the functions of the abolished Ministries would now be handled by as many as 92 National Economic Councils. These would plan, co-ordinate and control the industrial complex in their respective regions, henceforth to be known as "economic districts". On the political plane, Mr. Khrushchev has recommended that 15 Prime Ministers of the constituent republics should take the place of the Central Ministers, now found redundant.

The Khrushchev Plan will directly or indirectly affect 300,000 State enterprises and 40 million workers. Besides, as the plan unfolds itself over the next fifteen years it will involve wholesale movements of population from European Russia into the Siberian waste land. This re-shaping of the world's biggest planned economy is due to be accomplished before the end of the next months. In effect this may well mean reconstruction of the monolithic structure of the Soviet State which the Kremlin has been rearing for the last 40 years.

The declared objective underlying this "reform" is to reduce rigidity, eliminate cumbersome processes inherent in a totally planned economy, and to move some ministries from Moscow and bring them closer to centres of production. What exactly is the political motive behind this widely heralded new industrial policy we cannot know for certain for some time yet. But the dichotomy between a totalitarian State and workers' welfare which the Soviet economic experiment has revealed should be clear to all. As an instance we can only refer to the fact that the number of bureaucrats in the Soviet Union approximates to .6 per cent of the total population, which is evidently excessive by all standards. But even more astounding is their share of national income. According to a rough reckoning the Soviet bureaucrats, excluding perhaps Mr. Khrushchev and his comrades, eat away 6.2 per cent of the total national income.

Reorganization may therefore contribute to the elimination of existing bureaucracy, thus helping, on the one hand, the struggle against, what Mr. Khrushchev calls, "bureaucratism", and bringing about much needed economy in State spending on the other. Whether or not this is decentralization of economy, as say Vinoba Bhave understands it, should be left to time to decide. The inescapable fact at the moment is that while the proposed "decentralization" would doubtless enable local managers and other officials to take certain decisions on the spot, all major issues will still have to be settled within the prohibitive confines of the Gosplan. Thus, in reality, the changes may turn out to be more formal than real. The proposed "decentralization" seems, therefore, to have been necessitated by strategic considerations. It is obviously in Russia's interests to disperse its industrial and administrative potential as a precaution against the possibility of a knock-out blow in the event of a war.

The lesson from the recent developments in Russia for countries like India, which have only recently launched on planning, is that however strong the case for it, planning always runs the risk of bureaucratization, political patronage, departmentalism and conformism. These in the long run become "fetters" on the development of production. "Democratic Centralism" tends to produce greater centralization and less democracy in the sense of local and regional initiative, and of course individual freedom.

DEVELOPMENTS IN THE MIDDLE EAST

THE RULING National Front, a Left-Centre coalition, has won the recent bye-elections in Syria expected by many to provide the test of the regime's popularity. This "victory" came a few weeks after the Left-wing in the Army had successfully resisted the transfer of its leader, Col. Abdul Hamid Serraj, from the head of the Deumieme Bureau to that of a military attache in Cairo. The situation in Syria would thus appear to remain as disquieting as it has been for some years now. But there are certain countervailing factors which minimise to some extent the gravity of the situation. Although the regime has proved capable of winning at the polls it cannot be said to command the adherence of the majority of the Syrian population. For instance, at recent bye-elections nearly 60 per cent of the voters abstained. Moreover, while Col. Serraj and his friends in the army have shown their power to resist moves designed to weaken their stranglehold, they have not yet the strength to destroy wholesale all opposition to their regime. The posture of the Syrian armed forces, too, on which the regime chiefly relies, is rather defensive. The Soviet bloc arms and equipment, including aircraft armour and artillery, though too much for Syrian economy to sustain, are just enough to permit the re-equipment of the Syrian army. There is hardly any evidence yet of a surplus to be set aside for any "Liberation" assignment.

On the other hand, the recent events in Jordan have alerted the Kings of Saudi Arabia, Iraq and, of course, Jordan. These monarchs are apparently having second thoughts about so-called Arab solidarity so much talked about and canvassed by the Syrian rulers and President Nasser of Egypt. The events in Jordan have helped them forget their age-old dynastic rivalries and disputes. Their meeting this week-end may lead to a common defensive alliance against the danger of subversion by international Communism masquerading as anti-imperialist Arab nationalism. If this development takes place, it would reduce the chances of any mischief brewing in Syria. For, surrounded by pro-West States, Syria may be presumed to be stewing in its own juice. America will, of course, besides providing these natural leaders of the Arabs with means to ameliorate the conditions of the people of their Kingdoms, provide them shelter under the Eisenhower Doctrine. This is, however, not to say that the Middle East as a whole has turned the corner. In any case it would be unwise to be complacent. For in Syria there are elements still in key positions who can any day set the Middle East aflame, even at the risk of their own extinction.

NUCLEAR WEAPONS FOR NATO

THE MOST outstanding development emerging from the recent deliberations in Bonn of NATO Foreign Ministers' two-day conference is the decision to equip NATO troops with atomic and nuclear weapons. This choice has been forced upon the NATO Powers because they could not for economic, or would not for political, reasons maintain conventional forces comparable to those of the Russian empire. Britain has drastically reduced the level of its forces due to economic difficulties; the pace of German re-armament has been extremely slow; internal tensions created by Britain's differences with Greece and Turkey over Cyprus have reduced the NATO Powers' conventional resistance; and a substan-

tial number of French troops from NATO have been transferred to Algeria. All these factors put together make for an appalling reduction in the NATO Powers' resistance in conventional terms. They had, therefore, no alternative to reliance on atomic and nuclear deterrents, which is what the Bonn meeting only confirms. Russia's repeated atomic tests have perhaps been the answer to the NATO Powers' decision.

This may prove intriguing to some in view of the talks now going on at the Disarmament Sub-Committee in London, the main emphasis of which seem to be control of nuclear weapons. But if we recall that the basic purpose of NATO is containment of Communism from a position of strength we may really find no incompatibility between the NATO Powers' decision and the deliberations in London. Moreover, pending an acceptable agreement on disarmament the NATO Powers cannot logically be denied the possession of modern arms needed for their defence. For all we know the Russian armies in the satellite countries are already armed with nuclear weapons. And would it not also be illogical for the NATO Powers, particularly Britain and America, unilaterally to accept ban on atomic test explosions as suggested by some statesmen, including the British Labour Party leader. Mr. Hugh Gaitskel? Atomic stock-piles, it is useful to remember, are the only deterrent to Stalin's heirs.

POPULATION CONTROL

WITH THE population growing at the rate of at least five million a year, the economic future of the country is a matter that should cause one genuine concern, notwithstanding the ambitious development plans in progress and in the process of incubation. There is no denying that such a growth, if unchecked, would become a liability to the country. The Government's active and direct interest in family planning as an essential ingredient in the programme of regulating the population of the country is thus an encouraging factor in the situation. The second Five-Year Plan has allotted Rs. 5 crores for family planning programmes and the constitution of a Family Planning Board as an autonomous body last September thus underlines Government's anxiety to go ahead with further development of the family planning programmes on a systematic basis. Mr. Nehru's claim in the course of his preface to a recent Health Ministry Publication that the India Government is one of the few Governments that have undertaken family planning in a scientific way is, therefore, justified.

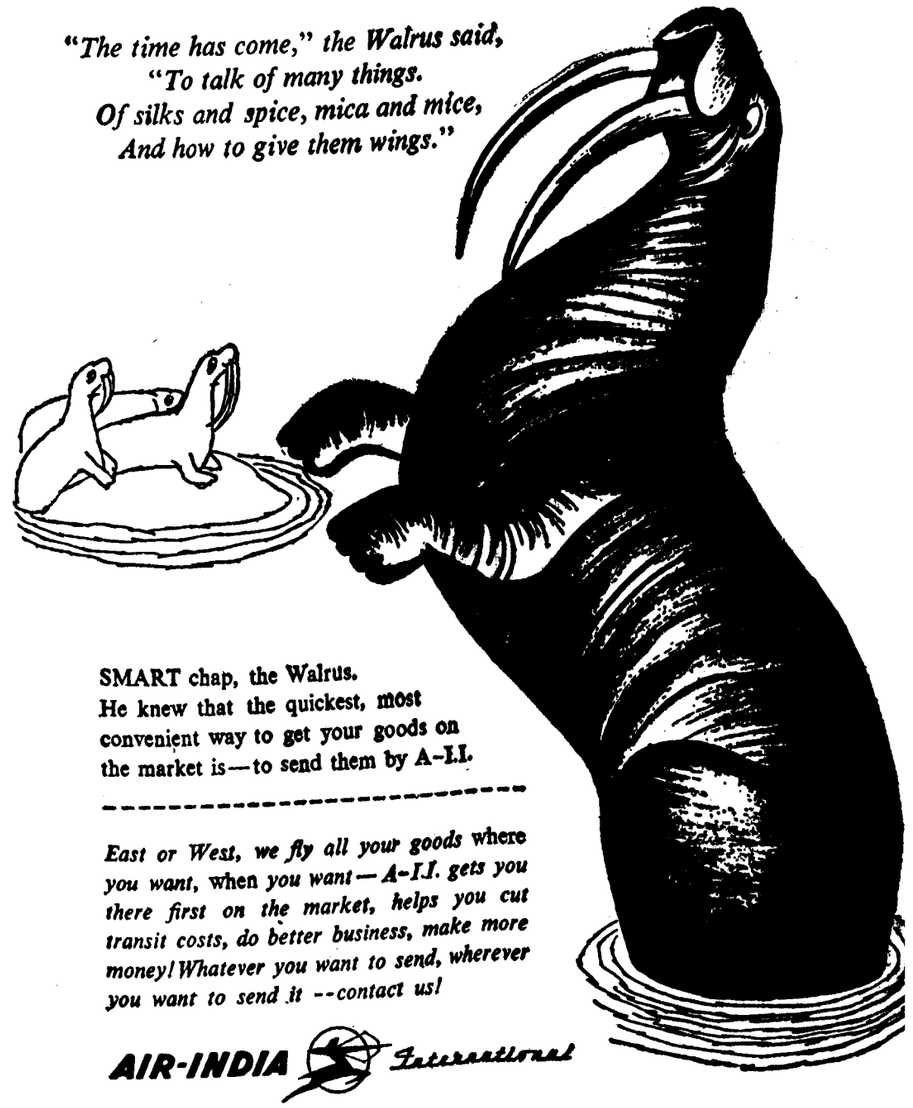
Mr. Nehru has also significantly referred to the new interest evinced in China over family planning schemes. This seems to be a remarkable development, since, all along, the theory of the Communists has been that a large population is no problem in a Communist society (which, according to them, releases the forces of production from their capitalist fetters) and the Malthusian doctrine is a fiction meant to cover the sins of the capitalist class. The Chinese Premier's great interest in family planning is evident in the interview he gave to the Indian delegation which visited China last year to study agricultural planning and techniques. Mr. Chou En-lai is reported to have told the delegation that a sense of apparent complacency, which is wrong, has been engendered by the fact that the net increase of population in China is about 2 per cent while the net increase in agricultural output is currently 4 to 5 per cent per annum. It is obvious that freedom from poverty will be impossible so long as the increase in production is consumed by a population growing unchecked. It is, therefore, understandable that the Chinese Premier should have shown great interest in Indian experiments on family planning. He is reported to have told the delegation that as soon as a good method of contraception was discovered, the Government of China would undertake a countrywide campaign for the adoption of family planning by the Chinese people. (That the Chinese would carry out a possible family planning programme with their wonted determination, may be taken for granted). Here then is the crux of the problem that faces India as well as China and in fact all the Asian countries which are over-populated in relation to their current and prospective levels of production. Real success in family planning cannot be achieved by mere propaganda or the starting of clinics all over the country. It can be achieved only by discovering an ideal contraceptive that will be cheap, harmless and easily accessible to the poorer classes. This is a challenge to the planners as well as to the scientific talents of the country.

SARVODAYA AT KALADI

EVERY YEAR a Sarvodaya Sammelan is held somewhere in India but never at the same place and time as the annual session of the Congress. This is somewhat surprising although both Mr. Nehru and Acharya Vinoba Bhave are the acknowledged heirs of Mahatma Gandhi, but it is even more surprising in the context of the Congress Party's professed love for Sarvodaya. Why is the high-priest of Sarvodaya so very anxious to keep his movement at a respectable distance from the Congress in spite of the latter's anxiety to be identified with it? It is certainly not a case of making a distinction without a difference, for there is a clear ideological cleavage between Sarvodaya and Nehruvian Socialism. It is not also possible to interpret that Nehru is the political heir of the Mahatma and Vinoba his spiritual heir, for the latter's work appears to have as much a political import as the former's a spiritual one. Perhaps it is a case of personality clash between two dynamic leaders. While Nehru's achievement is largely that of a leader wielding the instruments of political and administrative power, Vinoba's is largely that of a leader operating on the plane of moral persuasion. Surely the achievement of a person who has collected, on behalf of the landless poor, free gifts of land conservatively valued at Rs. 1,250 million, cannot be dismissed lightly although his success todate falls far short of his ambitious target. As the Sarvodaya spirit and the moral power of a not inconsiderable army of Sarvodaya workers are thus factors to be reckoned with, one wonders if the two leaders would come closer together if the Gandhians who constitute a species of Advaitins are not to slide imperceptibly, in their evident bitterness, into the materialist monism of Marx. For be it remembered here that Gandhism has a firm materialist base in spite of all its idealist trappings. And Gandhism, as a rare ideology of social action, may well metamorphose into the very thing it currently opposes if the men who sustain it by their fanatical dedication are not themselves sustained by its continuing success. The latest Sarvodaya Sammelan at Kaladi in Kerala has provided no key which could unlock the mysteries of the Congress —Sarvodaya or of the Nehru-Vinoba politics.

ECONOMIC SET BACKS IN CHINA

AN EXPLANATION of the reasons for Communist China's wide-spread economic difficulties is given by Mr. Chia To-Fu, Vice-Chairman of the National Economic Commission, in a recent address in Peking, now available in translation. Mr. Chia admits that targets for industrialisation had been set too high, that planning was inefficient and wasteful and the labour calling up, in particular, excessive. Some enterprises, including "cultural and educational activities," had been promoted too hastily. Serious shortages of coal, iron and steel are freely admitted. Iron and steel, Mr. Chia warns, can be made available only for "essential manufactures" and there must be vigorous nation-wide collection of scrap metal.



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INTRODUCTION TO INDIA—II

By

ODYSSEUS

MOST COUNTRIES contain groups of foreigners who remain in their midst for business or other professional purposes over long stretches of years. The bigger these foreign colonies—there are, for instance, over 6,000 Americans in India—the easier it is for them to lead self-contained lives, never learning the language of the country, knowing nothing of its history, social life, literature, classical dances, or theatre. In an effort to help out the foreigner of good will anxious to learn something of India but bewildered and daunted by the array of books confronting him on the innumerable facets of Indian civilisation available in any reputable book shop, I published here a series entitled "Introduction to India" on May 23 and December 12, 1952, and January 9 and 16, 1953, discussing the merits of some selected books. I am now engaged not in repeating my old list but in bringing it up to date. Last week, I offered suggestions to the newly arrived in India. This week I am for the most part discussing books which assume that you are acquainted with the background.

My 1952-53 "Introduction to India" brought me a number of letters regretting that some of the books recommended had gone out of print or seemed otherwise unobtainable in India. It may therefore be worth pointing out to foreign residents that all India's leading cities have, concealed somewhere or other about themselves, fine public libraries. It is, for example, easy and worth while to get yourself listed as a reader in the Secretariat Library in New Delhi and the National Library in Calcutta, which for completeness of titles on India are rivalled only by the India Office Library in London and by the Indian section of the Library of Congress in Washington DC. For those who want to buy second-hand books, among book sellers who specialise on books on India are: Kumars, Antiquarian Book Sellers, 79-23 Lower Circular Road, Calcutta 14; and the Select Book Shop, K. B. K. Rao, 21-A Mahatma Gandhi Road, Bangalore 1. Specialists who pride themselves on being able to track you down within a reasonable time a copy of any book ever published on India are Luzac and Co., 46 Great Russel Street, London. WC. 1.

We might start off this week with Sardar K. M. Panikkar's "Survey of India" (Asia Publishing House, Bombay, 1954). I cannot praise too highly this superb little book of 306 pages. The trouble with most books on Indian history written in the half century ending on August 15, 1957, is that they are littered with the propaganda debris of the struggle for independence. It is one of Sardar Panikkar's many merits that, although of the generation most mixed up with the struggle, and although seeing Indian history through the eyes of a proud, sensitive patriot, he maintains the highest standards of scholarly respect for evidence. If I must record some hesitation in accepting one or two of his interesting theories, I must trumpet my approval of the way in which he follows an argument wherever it leads if the evidence will not allow him to do anything else. The result is an imaginative, poetical, living history, which does full justice to Hinduism and yet sees the problems of the British steadily and as a whole. Sardar Panikkar's history stops at the turn of this century. Can we hope that he will now focus the powerful beam of his historical search-light on the years 1900-1950?

A moderate statement of the British viewpoint is to be found in Sir Percival Griffiths "British Impact on India" (Macdonald. London. 1952) which shows evidence of wide research and reflection.

INDIA'S FORGOTTEN STATESMAN

Most Indian histories of the nationalist struggle have been written by Congress Party members or sympathisers. An interesting third party view is to be found in "Indian Politics Since the Mutiny" (Allen and Unwin. 1940) by the late C. Y. Chintamini, a disciple of one of India's greatest statesmen of a former generation, G. K. Gokhale, whose biography was written by J. S. Hoyland (YMCA Publishing House, Calcutta) as far back as 1933. D. V. Tahmankar has just published a forthright justification of Lokamanya Tilak (J. Murry. 1956), the "father of Indian unrest". I throw out the suggestion that it is time someone undertook a re-appraisal of Gokhale as "the father of Indian reason and democracy". Tilak's new biography was sponsored by the Kesari Mahratta Trust. Does Mr. A. D. Mani not think that he should galvanise the "Servants of India Society" into literary action to revive the memory of their great founder for a generation which has forgotten his name? (Or am I revealing my ignorance and has a re-assessment of Gokhale appeared in recent years?).

To those who are fond of wandering among the byways of history, I commend H. Tinker's "Foundations of Local Self-Government in India, Pakistan, and Burma" (London Univ. 1954) which despite its arid academic title is interesting, especially in these days when everyone is glorifying the village panchayat system. This book should be compulsory reading for Jayaprakash Narayan and all his Sarvodaya followers who (reasonably and rightly) want our villagers to govern themselves and pray that New Delhi's bureaucrats will wither away. I could not agree more. Tinker's book will, however, throw light on many of the practical problems involved.

Working our way towards the present, we might next tackle "The Transfer of Power in India (Allen and Unwin. 1954) which describes events in India after January, 1945, which led to the hand-over and to the partition of the country. Compact and lucid, this is the only piecing together of these dramatic events that exists (at least with any pretensions to historical objectivity).

"The Integration of the Indian States" by V. P. Menon (Longmans. 1956) is the account rendered by the late Sardar Patel's principal aide of the liquidation of the princes. I can think of no serious argument in favour of their retention, but Mr. Menon's zestful display of Machiavellianism fills me with indefensible nostalgia for one of the most colourful chapters in India's history. You may see better what I mean if you read Thompson's "Making of the Indian Princes" (Oxf. Univ. Press. 1943).

TO BE READ IN SECRET

The enquiring foreigner is bound to ask what he should read in order to understand the Kashmir quarrel. The short answer is that if he lives and works in India,

he had better stick to the Indian government's White Paper, and if in Pakistan confine himself to that of the Pakistan government. Thus will he avoid the stress of living in a state of unresolved mental conflict that will overtake him and poison his relations with his Indian (or Pakistani) friends if he reads "Danger in Kashmir" (Princeton Univ. Press. 1954) by J. Korbel (chairman of the UNO Commission sent out in 1948 to arbitrate in the quarrel) and "Two Nations and Kashmir" (Hale. 1956) by Birdwood who, whatever one's reactions to his diagnosis, has written a closely documented volume. A contemporary eyewitness account of the origins of the quarrel appeared in Jossleyn Hennessy's little book "India and Pakistan in World Politics" (King-Hall News Letter Reports. 1950). These three books should be read in secret behind closed doors, preferably with a bearer on duty to give timely warning of the approach of strangers.

As we have mentioned Pakistan, it may be useful to list three books which look at contemporary affairs from the viewpoint of Karachi: "The Making of Pakistan" (Faber. 1950) by R. Symonds, who includes a useful bibliography for further reading. "The Cultural Heritage of Pakistan" (Oxf. Univ. Press. 1955), a collection of essays edited by S. M. Ikram and Percy Spear. "Crescent and Green" (Cassell. 1955) essays by 16 authors including Arnold Toynbee and Sir Mortimer Wheeler.

A vast polemical literature has grown up round Hindu-Muslim relations. An attempt made to approach the problem from a scientific viewpoint is that made by Unesco at the request of the Indian government in 1949. I have not seen the Unesco reports but I have read "In the Minds of Men" (Basic Books. New York. 1953) by the American social psychologist, Gardner Murphy, who collaborated with Indian scientists in the Unesco survey. Dr. Murphy's book makes the reader a participant with Unesco's teams in refugee camps, textile mills, caste and religious groups, and areas of high and low tensions in cities and villages. Typical is the story told of the work of the late Professor Pars Ram of Gujerat university in tracking down how an obscure scuffle between some boys grew into a rumour that a major riot was being planned. An important point that emerges from Dr. Murphy's book is that Hindu-Muslim difficulties are not a problem unique to India but conform to the pattern of relations between majorities and minorities found in all countries where friction exists. Dr. Murphy also throws light on the contemporary working and likely future fate of the caste system and shows that although it may be fashionable nowadays to condemn it without qualification, the system has (stripped of the excrescence of untouchability) a reasonable social justification.

Which reminds me that on the historical, anthropological and descriptive sides, the most fascinating, as it is authoritative, study of the caste system is "Caste in India" (Camb. Univ. Press. 1946) by J. H. Hutton. A foreigner who digests this will, from the mere mention of such caste names as Agarwala, Ayar, Bhatia, Lohar, Panikkar, Prabhu, Reddi, etc., etc., be able to tell a great deal about the origin and background of those whom he meets.

This Introduction to India will be continued next week.

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THE END OF MENDES-FRANCE

(From Our Special West European Correspondent)

PARIS, May 11.

THE congress of the Radical Party in Paris this month confirmed not only the inability of that party to influence the coalition government to which it belongs, but also the inability of Mendes-France to influence the policies of the party he supposedly leads. The gradual decline of Mendes's authority since January 1956, when he emerged from the elections as joint leader with Guy Mollet of the victorious coalition, has now reached the point where Mendes would probably be defeated within his own party if he pressed any vital issue to a showdown. Yet this is the party that he has broken, splintered and ruled dictatorially in an effort to get a political instrument subservient to his will. The masses of young people that Mendes attracted to the party over the past three years now see that he is unable to overcome its traditional opportunism and that he fears to force a showdown; so they are losing faith in him and drifting away from Radicalism. The hopeful experiment of Mendesism must now be held to have failed.

The hopefulness of that experiment consisted not simply in that Mendes-France offered the Fourth Republic a more honest, efficient and realistic government than any other politician since the war, but above all in this: that he offered a break with Micawberism, he offered policies that went ahead of events instead of waiting and procrastinating until it was too late to do anything but acquiesce in the inevitable. Micawberism, waiting for something to turn up, is the political disease of the Fourth Republic, as we saw in Indo-China and as we are now seeing in Algeria. Mendes proposed to break with this habit and his ten months in power were sufficient to demonstrate that if you go half-way to meet the inevitable you can usually get better terms than if you wait for it to corner you. That the mass of the French electorate was unwilling to accept the risks and the short-term sacrifices that such a policy entails is no explanation for the failure of Mendesism, because it is nothing unusual for democratic governments to go ahead of the people and to impose wise decisions which are, on a head-counting basis, unpopular at the time. Almost all great political decisions are temporarily unpopular but that is no handicap to a political leader supported by an adequate party machine and expert in the art of public relations. (The careers of Nehru, Roosevelt and Truman are full of examples).

So the failure of Mendesism is not accounted for by saying that France is not (not yet) Mendesist. The immediate causes are the inadequacy of the Radical Party which Mendes chose as the vehicle for his policies, and the betrayal of the French Socialist Party after the 1956 victory at the polls. The Radical Party (Radical-Socialist, to give it its full but misleading name), the party of Clemenceau, Herriot and Daladier, has been traditionally the political movement of the educated, liberal middle-classes and above all of the professional men and women who rebel against the firm discipline of the monolithic doctrinaire parties of Right and Left. It has a tradition of indiscipline that equals that of the Indian Congress Party, but being on the contrary a small party it has relied for its power on loose and shifting alliances with the larger and more determined groups of Right and Left. In so far as it has stood for anything other than the vague liberalism of the professional classes, it has represented firm central government, strong nationalism, an opposition to all sectional privileges, economic progress and sound money. But it has never had enough power of its own or enough internal discipline to represent any of these things with passionate tenacity (save perhaps under Clemenceau) and has drifted from one ambiguous compromise to another; its present embarrassed marriage with the Socialists is typical.

This was the party that Mendes-France chose as the vehicle for his policies. The wise-after-the-event now say this was his original mistake and that he should have sought to found a new party that would have represented modern Jacobinism in a purer and less ambiguous form. Perhaps, but that course would have had risks of its own, especially in the confused multiplicity of French politics. The effort of moulding the Radical Party to a firmer purpose was worth trying — but it has failed. Mendes drove from the party one group of dissidents and opportunists after another, relying for support on the masses of young people who were attracted to Radicalism in greater numbers after each purification. But the need to maintain some political continuity and above all to present known figures at the 1956 elections obliged him to compromise with anti-Mendesist elements, and it is these men who, today holding seats in parliament and portfolios in the government, have checkmated the drive for renovation from the less organised new members of the party. In turn, the inability or the unwillingness of Mendes-France to break finally with these conservative elements is alienating the "young Turks". Mendes-France is today in a minority in the parliamentary Radical party and could easily be put in a minority at the general congress in Toulouse later this year.

No less damaging was the betrayal of the Socialists in the coalition government. The Radicals and Socialists fought the 1956 elections together in the Republican Front, of which the main policy was an early conclusion to the Algerian war. The Socialists are the senior partners of this alliance, being by far the bigger party, so it was natural that their leader, Guy Mollet, should form the government. But the Radicals are no less important because only they can swing that 5 per cent of middle class votes that makes a non-Communist Leftish government possible in France, so it would have been natural that their leader, Mendes-France, be offered the second post in the coalition, Foreign Affairs. Under Right-wing pressure, Mollet declined to offer this portfolio to Mendes — and the collapse of the Republican Front had begun. Mendes accepted a ministership without portfolio but the surrender of Mollet to the Algerian settlers after his visit to Algiers in February last year initiated the long and painful drift of the coalition toward defence of reactionary interests in Algeria, and this eventually made Mendes's continued membership of the government impossible.

But having resigned himself, he permitted his Radical fellow-ministers to remain in the Government. Even after three years of Mendesist "dictatorship", the Radical Party lacks the internal discipline to force unity of policy on its own ministers, and the result today is

that Mendes-France is the most violent critic of a government which consists in part of ministers drawn from a party he himself leads! When he exclaimed last week at the Radical meeting "It is Fascism that reigns in Algeria" he was condemning the actions of men who sat beside him on the rostrum. A few hours after this exclamation he had to restrain the "young Turks" who, drawing the logical conclusions from his own attack, demanded the resignation from the Ministry of its Radical members. Instead he presented a black-and-white motion that instructed the Radicals in the Cabinet to insist on a liberalisation of Socialist policy, but without setting any time-limit for this liberalisation and without threatening any sanctions if it does not transpire — as it almost certainly will not.

Mendes's calculation in this matter is plain enough. To withdraw the Radical ministers from the coalition at this stage would certainly produce the downfall of the Government, and since the Socialists could say that it was the Radicals that brought on this crisis, all further co-operation between Radicals and Socialists would be impossible for years to come, and the Radicals are too small a party by themselves to aspire to power without Socialist support or consent. Worse, the present parliament is so constituted that no government can be formed without the Socialists, so the next ministry would be a coalition of the Socialists and some party even further to the Right, pursuing no doubt even more reactionary policies in Algeria. Mendes is evidently banking on a ministerial crisis that will be produced without Radical intervention (as could occur if the Right seriously objected to Socialist taxation increases), or alternatively on a rebellion within the Socialist party against the Right-wing leadership of Mollet and Lacoste — whereupon the Radicals could hope to resume co-operation with a new Socialist leadership. But neither of these events is probable, for the Right is willing to pay heavily for the pleasure of leaving the dirty work in Algeria to the Socialists, and the Socialist Party is governed by an iron discipline that makes rebellion impossible.

So Mendes-France finds himself today at the head of a party that is almost useless to him as a political instrument, while he incurs the hatred of the Right for his criticism of the Government's Algerian policy and the disgust of the Left for his inability to do anything about it. The vast enthusiasm that Mendesism aroused in 1954 is being dissipated in recrimination and disappointment while France goes on waiting for something to turn up. This is the end of Mendes-France — or at least if ever he comes to power again it will only be after disasters so severe that neither he nor his followers would wish them on their country.



WORLDGRAM

AGRICULTURE

Mysore Land Reform Bills: The President has given his assent to four Bills concerning tenancy legislation in Mysore State. The Bills are the Mysore Tenancy (Amendment and Continuance of Tenancies Bill, 1957, Bombay Tenancy (Suspensions of Provisions and Amendment) Bill, 1957, Hyderabad and Madras Areas Tenancy (Suspension of Provisions and Amendment) Bill, 1957, and Coorg Tenants Bill, 1957. These Bills replace ordinances promulgated earlier to maintain the 'status quo' in regard to different tenancy laws in force in specified areas of Mysore State pending introduction of a uniform law. At present there are different laws in force in the areas which formed part of the former States of Madras, Bombay, Hyderabad and Mysore. Coorg has no tenancy law at all.

*

The Development of Fisheries in Indo-Pacific Region: The development of inland and marine fisheries in the Indo-Pacific region is one of the subjects to be discussed at the seventh session of the Indo-Pacific Fisheries Council to be held at Bandung (Indonesia) from May 13, to 27. The Council will transact its work through two technical committees — one for inland, sea and miscellaneous fisheries, and the other for craft, gear, food technology, statistics, socio-economics and marketing. Set up in 1949, the Council mainly formulates schemes for development and utilisation of fisheries resources in the Indo-Pacific region. It also encourages and co-ordinates research and its application, compiles and publishes information, recommends projects to Governments, undertakes co-operative schemes, and proposes and adopts standardisation measures.

INDUSTRY

UK Steel Output: UK steel output in April again declined slightly from the record level achieved in February. Production was at an annual rate of 22.36 million ingot tons, compared to 22.47 million tons in February and 22.41 million tons in March. Pig-iron output continued to advance last month. A new record annual rate of 14.42 million tons was reached, passing by 10,000 tons the figure for March, the previous highest month. It compares with an output rate of 13.23 million tons in April, 1956 representing an increase of 9.1 per cent.

*

Handloom Mill for Bihar: It is reported a Rs. 50 lakh handloom spinning mill with an annual production capacity of 2,56,000 yards of yarn will be set up at Mokamah, 45 miles east of Patna. The mill, which is expected to go into production by the end of 1959, will feed over two lakh looms operating in Bihar. A plot of 30 acres has been acquired at the site and a part of the machinery has already arrived. The handloom industry in this State has fixed a target of producing 220 million yards of cloth between 1956 and 1959 out of 1,000 million yards of additional cloth scheduled to be turned out by the industry in India during the second plan period. Of it 165 million yards are to be produced in the co-operative sector of the industry in Bihar.

*

Four Regional Design Centres for Handlooms Being Set Up: The All-India Handloom Board under the Union Ministry of Commerce and Industry, is to set up four Regional Design Centres in the country to evolve new designs, new colour harmonies and textures in the production of handloom cloth. The Central Design Centre, which has been established at Bombay, is expected to function by the end of this month. The other three centres are to be established at Madras, Varanasi and Calcutta. Besides these Regional Centres, a number of sub-centres are likely to be set up in specialised areas of handloom weaving. One of the sub-centres will be set up at Kancheepuram in Madras State. The Government of India have sanctioned a sum of about Rs. 1.27 lakhs to the Bombay Centre and an equal amount for establishing a Regional Centre at Madras. For the sub-centre at Kancheepuram a sum of Rs. 35,000 has been sanctioned.

*

Thailand's Industrial Promotion: The Cabinet Council of Thailand has decided, on a recommendation of the Ministry of Industry, to establish flour, milk, and rubber goods industries under the Industrial Promotion Act of 1954, so that foreign exchange used for imports of the products of these industries may be saved, and assistance given to economic progress by the provision of employment and the utilization of domestically produced raw materials. It is intended that the flour industry should produce about 3,000 tons of flour annually and the milk industry about 150 tons annually. The rubber goods industry would produce annually 150,000 pairs of rubber or rubber-soled shoes, 150,000 sets of rubber soles and heels, and for bicycles, 50,000 tyres, 100,000 inner tubes, and 35,000 sets of tyres and tubes.

*

Japanese Whaling Industry: Japan is expected to send seven whaling expeditions to the Antarctic during the 1957-58 season; the number dispatched in 1956-57 was five and in 1955-56 three. This increase will place Japan second only to Norway among the participating nations; at present Norway has nine expeditions. The expansion of the Japanese whaling industry is taking place largely through purchases of whaling companies which had been operating in the Antarctic under the flags of other nations, e.g., Panama, the United Kingdom, and the Union of South Africa. In the 1955-56 season, Japan, with three expeditions and one land station, produced 17 per cent of the total oil output; Norway, with nine expeditions and one land station, produced 36 per cent.

*

ISI Certification Mark for Lead-Acid Storage Batteries: The Indian Standards Institution has granted a licence to Messrs. Associated Battery Makers (Eastern) Private Limited, Calcutta, for the use of the Standard Certification Mark of ISI on lead-acid storage batteries (dry separators) for motor vehicles, conforming to (IS: 395-1952). The Standard Mark consists of the monogram of the Indian Standards Institution and the number of designation of the Indian standard being inscribed in the top side of the monogram. It will certify that the lead-acid storage batteries conform to all the requirements given in the relevant Indian Standard, viz., IS: 395-1952.

TRADE

Protection to Calcium Lactate Industry Extended: The Government of India's resolution on the Tariff Commission's Report (1957) on the continuance of protection to the Calcium Lactate Industry has been published in a Gazette of India Extraordinary. Government have accepted the Tariff Commission's main recommendation that protection to the industry should be continued at the existing rates of duty — 37.8 per cent 'ad valorem' (Standard) and 27.3 per cent 'ad valorem' (Preferential) — for a period of three years, i.e. up to December 31, 1960. Government have also accepted certain ancillary recommendations of the Commission for assistance to the industry and will take suitable steps to implement them as far as possible. The attention of the industry is drawn to the Commission's suggestion that if at any time the industry finds that

its competitive position in the domestic market is seriously threatened by abnormally cheap imports, it may apply for a review of the existing scheme of protection.

*

Tariff Commission Questionnaire: The Tariff Commission has taken up for investigation the question of continuance of protection to the automobile leaf spring industry beyond December 31, 1957. In this connection, the Commission has prepared special questionnaires for producers, importers and consumers which are now ready for issue. Firms, associations and persons who desire that their views should be considered by the Commission may obtain copies of the relevant questionnaires from the Secretary to the Commission, Central Government Offices Buildings, (3rd floor), Queen's Road, Bombay-1, specifying the interest they represent. Replies to the questionnaires and representations or memoranda should be sent in 12 copies so as to reach the Secretary, Tariff Commission, by May 27, 1957.

*

Trade Handled at Calcutta Port: Calcutta Port handled the record figure of 42,200 tons of steel during the second-half of March, 1957. The highest figure of steel tonnage touched previously was 41,963 tons in the second-half of February, 1957. The total traffic handled by Calcutta Port during the second-half of March, 1957, amounted to 317,178 tons, of which imports were 159,290 tons. Amongst exports, ores accounted for 39,249 tons. Imports of food grains totalled 48,729 tons. The number of vessels which entered Calcutta Port during the period was sixty.

*

Increased Exports of Handloom Cloth in 1956: The export of Indian handloom cloth in 1956 increased considerably both in terms of quantity and the foreign exchange earned. The exports during the year totalled 59,786,000 yards valued at over Rs. 8.66 crores. In 1955, the handloom cloth exports totalled 55,827,000 yards, the value of which was nearly Rs. 7.77 crores. The principal buyers of handloom fabrics are Ceylon, Nigeria, the Federation of Malaya, Aden, the Sudan, Singapore, Kenya, Tanganyika and Kuwait. Exports to the United States, although comparatively smaller, had been steadily increasing. In 1956, 835,000 yards of handloom cloth was exports to that country as against 219,000 yards in 1955 and 76,000 yards in 1954. An external marketing scheme to promote the export of handloom cloth has been in operation for some time. Marketing officers have been posted at Singapore and Baghdad and provision has been made under the scheme for appointing Marketing Officers at Colombo and Rangoon also. Handloom Fabrics Emporia have been opened at Colombo, Aden, Singapore, Bangkok and Kuala lumpur.

FINANCE

Financial Statements of International Bank: The International Bank for Reconstruction and Development have reported a net income of $25.7 million for the nine-month period ending March 31, 1957, compared with $21.2 million for the corresponding period in 1956. This income was placed in the Supplemental Reserve against losses on loans and guarantees, and raised the Reserve to $176.4 million. Loan commissions amounted to $12.3 million and were credited to the Bank's Special Reserve, increasing that Reserve to $89.3 million. Total Reserves on March 31, 1957 were $265.7 million. Gross income, exclusive of loan commissions, was $53.6 million compared with $47.3 million in 1956. Expenses, which included $22.2 million for interest on Bank bonds and other financial expenses, totalled $27.9 million for the period. During the third quarter of this fiscal year, the Bank made three loans totalling $85.6 million in India, Iran and Peru. This brought the total number of loans to 166 in 44 countries and raised the gross total of commitments to $3,063.4 million. Disbursements on loans for the nine-month period were $247.6 million, bringing total disbursements to $2,211.2 million. During the period the Bank sold or agreed to sell $43.5 million principal amount of loans without its guarantee. On March 31, 1957 the total sales of loans amounted to $319.7 million, of which $250.7 million was without the Bank's guarantee. Principal repayments and prepayments received by the bank amounted to $20.4 million. Total principal repayments to the Bank, including repayments, were $184.7 million on March 31. In addition, a total of $112.7 million of borrowers' obligations which had been sold by the Bank had been paid on or before maturity.

*

National Income of India: National income of India increased from Rs. 9,110 crores at the beginning of the first Five-Year Plan to Rs. 10,800 crores in 1955-56, representing an increase of 18 per cent. At constant prices the national income will increase to about Rs. 13,480 crores at the end of the second Plan period, recording an increase by about 25 per cent. Per capita income has stepped up from Rs. 254 in 1950-51 to Rs. 281 in 1955-56; and in 1960-61 it will increase to Rs. 330. The share of agriculture and allied pursuits in total national income will decline from 48 per cent in 1955-56 to 46 per cent in 1960-61, while that of mining and factory establishments will increase correspondingly from 9 to 11 per cent. Despite substantial increase in net output of mining and factory establishments, the structure of economy will change only marginally over the plan period. The programme of investment envisaged for the second Plan period -- Rs. 6,200 crores — requires, broadly speaking, a step-up in the rate of domestic saving from the present level of some 7 per cent of national income to about 10 per cent of national income in 1960-61.

*

New Companies in the Northern Region: Sixteen companies were registered during the month of March, 1957, in the Northern Region. Of these, two were public companies with an authorised capital of Rs. 2,05,00,000 and 14 were private companies with an authorised capital of Rs. 29,70,000. Fifteen public companies increased their authorised capital to Rs. 3,00,000, subscribed capital to Rs. 6,99,600 and paid-up capital to Rs. 5,92,080. During the same period, 49 private companies increased their authorised capital to Rs. 44,00,000, subscribed capital to Rs. 1,18,91,700 and paid-up capital to Rs. 1,20,26,434. Five public and five private companies went into liquidation during the month. The names of 14 public and 20 private companies were struck off the register under Section 560 of the Companies Act, 1956. Prosecution was launched against 23 public and three private companies during the month for default in filling returns with the Registrars. Of the 4 cases already pending, court decisions were taken in respect of two public and two private companies.

GENERAL

Progress of Employees' State Insurance Scheme: Over 10 lakh employees — about half of the total insurable population of factory workers in the country — were covered by the Employees' State Insurance Scheme, according to the annual report of the Employees' State Insurance Corporation for 1955-56. During the year, the Scheme was extended to Madras City and its suburbs, the Hyderabad-Secunderabad area, Calcutta city and Howrah District, seven industrial centres in Andhra and Lucknow, Saharanpur and Agra in Uttar Pradesh. As a result, an additional 3,19,000 employees were brought under the purview of the Scheme.

NEWS IN BRIEF

INDIAN

The Government of India have decided in consultation with the Board of Trustees of the Employees' Provident Fund to grant interest to the subscribers of the Fund on their accumulations at the rate of 3.3¾ per cent during the year 1957-58. The rate of interest for the year 1956-57 was 3½ per cent.

*

Messrs. Tata Industries Private Ltd., managing agents for the Tata Iron and Steel Company Ltd., report that the total approximate production of iron and steel at the steelworks at Jamshedpur during the month of April 1957, as (in tons) pig-iron 92,300; steel ingots 89,300; saleable steel Semis 14,700; Finished 47,800.

*

The Rajasthan Government has announced revised rates of sales tax, increasing the tax on certain articles, removing exemption on certain others and providing exemption on the sale of allopathic and homeopathic medicines and drugs.

*

The Government of India have announced that the shipment period of raw cotton from the U.S.A. under the Indo-Burma-USA tripartite agreement 1956 has been extended up to June 30, 1957.

*

It is reported the Government of India proposes to set up a corporation to handle the export of handloom products and to assess their demand in foreign countries.

*

The Government of India have decided to extend free licensing of all varieties of cotton piece goods (mill-made and power-loom) and cotton manufactures including cotton waste blankets other than restricted varieties, to all permissible destinations except Nepal, Tibet, Bhutan, Sikkim and Portuguese possessions in India for shipping up to December 31, 1957, according to a notification.

*

The Government of India has set up a six-member Committee to investigate the prices of coal. The Committee will recommend the changes necessary in the price-structure of coal and report on the impact of the price changes recommended by the Committee on the economy of the country and on industry generally.

*

The reserves of manganese ore in India have been estimated at about 112 million tons by the Indian Bureau of Mines. The reserves, which are of all grades are chiefly found in Madhya Pradesh — 100 million tons. The remaining 12 million are scattered in other areas.

*

The Indian Standards Institution has circulated a draft Indian Standard glossary of terms relating to paints with a view to eliciting comments.

*

The birth and the death rates in towns with a population of 30,000 or over in India during the month of March 1957 were of the order of 27.0 and 12.7 respectively per thousand of population. Corresponding figures for March 1956 were 27.9 and 11.8 respectively.

*

A grant of Rs. 14,040 has been given to the Government of Madras for opening and maintenance of family planning clinics. For the same purpose grants of Rs. 10,100, Rs. 5,190 and Rs. 5,500 have been sanctioned to the Bombay municipality, the Family Planning Association of India, Bengal branch, Calcutta and the Philadelphia Hospital, Ambala, respectively.

FOREIGN

France had a deficit in April with the E.P.U. of $108, 206,000, the worst adverse balance since 1952. This compared with $93,696,000 in March and $33.8 million in April, 1956.

*

Figures issued by the Straits Trading Company at Singapore give total Malayan tin shipments in April as 6,427 tons compared with 7,694 tons in March. For the first four months of this year, estimated Malayan tin exports have been 25,039 tons, compared with 24,033 tons in the previous year.

*

The sterling area gold and dollar reserves rose by $111 million during April to $2,320 million, their highest level since last September.

*

The U.S. has granted Indonesia a $15 million loan and promised $77 million more for development purposes. Indonesia agreed to repay the $15 million over 40 years, with interest at 4 per cent, if the repayment is in Indonesian currency and 3 per cent if in dollars.

*

The Tunisian Government is considering setting up a national bank of issue. At present bank notes for both Tunisia and Algeria are issued by the Banque de L'Algerie et de la Tunisie, which was nationalised by the French Government in May 1946.

*

The total trade of sterling area countries with the rest of the world reached a new record during 1956. Exports by the area to non-sterling countries expanded by 13 per cent, compared with 1955, while imports into all sterling countries last year were the highest on record, exceeding slightly those in the previous peak year 1951.

*

It is reported work is likely to begin in the late summer or autumn of this year on the new £10 million oil refinery at Whitegate, Cork. The refinery will produce about 2 million tons a year including motor spirit, diesel oils and industrial fuels consumed in Eire and is expected to be completed in 1959.

*

It is reported that the new trade agreement between Australia and Britain has been ratified. The agreement replaces the 1932 Ottawa Agreement.

*

South Africa's total gold and foreign assets in the week ended April 26 totalled £132,034,000 compared with £131,182,000 a week earlier.

*

Changes in export taxes for cotton, coffee and cottonseed were announced recently in Uganda. The coffee export duty will in future be calculated at one-third of the export price above £120 per ton for Robusta and £195 for Arabica, while the non-African coffee producer's present rebate against export duty will be withdrawn.

*

British aero exports for the first quarter of the year totalled just under £25 million representing an annual rate of about £100 million, states the Society of British Aircraft Constructors.

*

East African Railways and Harbours income in March 1957 was £1.82 million compared with £1.7 million in February and £1.9 million in March last year. Rail earnings were £106,000 below the level estimated for March and harbour earnings were £45,000 below estimates.



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Special Articles

WAGE BOARD AWARD FOR JOURNALISTS

BEING an award, the reaction among those affected by the decisions of the Wage Board for Journalists is bound to be mixed. This is hardly surprising. While the employees as a class may feel that the Board has not gone far enough but belied certain high expectations entertained, the industry may take the view that the award has imposed certain severe burdens which it cannot bear in its present stage of development. The task of the Wage Board had not, however, been enviable. It was a formidable one and with practically no precedents, the Board had to be its own path-finder. Confronted with the question of fixing suitable scales of pay (including allowances) to a class of employees engaged in a profession with an astonishing and bewildering variety in its ranks and working in units of different sizes of varied fortunes — from the marginal to the prosperous and the not-so-prosperous —the Board had to arrive at certain workable criteria for a rational classification of the different newspaper establishments, the areas in which they are located and the designations of the different categories of employees.

It is on the basis of these criteria that the Board has given its decisions while 'apparently' taking into account in the process various factors like the cost of living, the prevalent rates of wages for comparable employments, the circumstances relating to the newspaper industry in different regions of the country and so on. This qualification 'apparently' is necessary because in its report, the Board has refrained from giving reasons for arriving at each one of its decisions. The result is that one is not only left guessing as to why it came to a particular decision but there is also a certain ambiguity in some of the provisions which might lead to differences in interpretation. There are, however, two factors that might operate to minimise the hardships that may be caused in the implementation of the decisions. One is the provision that in no case should the present emoluments of the employees be reduced as a result of the operation of the award. The other is that another Wage Board should be constituted under the Working Journalists' Act to review the effects of the decisions of the Board on the newspaper establishments and the working journalists after the expiry of three years but not later than five years from the date of publication of the decisions of the Board.

However, it is necessary to draw attention here to certain doubts that arise on a reading of the Wage Board's report. While for the purpose of fixation of wages, the Board takes into account 'gross revenue' for the classification of newspaper establishments (which includes dailies as well as weeklies published by them) it adopts a different criterion viz. 'circulation' in the case of classification of other weeklies and periodicals. In the absence of any explanation vouchsafed, it is difficult to understand the reasoning behind this distinction. The result is that the Board has been confronted with a dilemma, as it were, while dealing with certain categories of weeklies; for example, the financial journals which may come under a low category if circulation is the criterion but whose gross revenue may not warrant them to be placed in such a category. The Board has, therefore, suggested that pay scales in these cases may be fixed on the basis of collective bargaining subject to the minimum prescribed. This seems like circumventing the issue due to the difficulty arising from the different criteria it has adopted.

Again on the classification of working journalists, the Board has been presented with a searching problem. For example, the distinction made between an Assistant Editor and a Leader-Writer seems to be a distinction without a difference. Similarly, the clubbing together of Assistant Editor, Chief Sub-Editor, Commercial Editor, Sports Editor and so on seems to be rather odd. Though any solution in this regard will be far from ideal, it would have been better if Group II included Assistant Editor, News Editor and Chief Reporter and the rest in the group placed under a separate category. This would have perhaps provided a more equitable basis for the fixation of the pay scales governing these categories of employees. Apart from this, there are one or two provisions in the report that may lead to some confusion in the absence of clarification. The provision with regard to the splitting of the consolidated pay and dearness allowance is an instance in point, as it might raise the question whether the pay hitherto drawn by an employee was only basic pay or included dearness allowance also. Similarly the 'modus operandi' suggested for the calculation of the dearness allowance is also a little vague since the adjustment of the rate of dearness allowance to the cost of living index requires further elucidation.

In the absence of relevant data, it is premature to analyse the effects of the award on different sections of the newspaper industry. The Board in its labours seems to have gone on the basis that as many as possible of those engaged in the profession should be assured of a reasonable minimum wage and a pay scale fixed that would help to know where one stands. It is, however, a moot point whether the award would help in attracting enough talent to a profession that is becoming increasingly specialised and more and more technical. The Press Commission in its Report has pointed out that though the salary scales offered in 1952 might have been higher than in 1939 the real wages of the working journalists have actually gone down as the rise in the wages has not been commensurate with the rise in the cost of living. The Commission has, however, conceded that in regard to individual cases, there has been improvement in the matter of emoluments but has stated that quite often this improvement is noticeable only in the highest and more senior posts, which has only served to emphasise the disparity in the maximum and the minimum salaries. The Wage Board's approach in the fixation of pay scales seems to have been governed by this observation of the Press Commission.

In an analysis of 36 English newspapers, the Press Commission has found that they employ 684 junior journalists (defined as to include sub-editors, reporters, special representatives, news photographers and so on) and 67 senior journalists (defined to include joint editors, assistant editors and news editors). It found that in only one paper the average monthly emoluments paid per journalist was below Rs. 100. In most of the cases, average monthly emoluments fell within the range of Rs. 201-300 and the overall average was in the neighbourhood of Rs. 350. Table A on next page analyses the position in seven English newspapers having a circulation of over 35,000 employing 286 junior journalists and 35 senior journalists. Out of the 286 junior journalists, nearly half fall into the category of those getting Rs. 201-350 whereas of the 35 senior journalists 23 get a salary of over Rs. 750.

The senior journalists referred to by the Press Commission fall in category II and the junior journalists in category III of the Wage Board's classification. The

Board has classified Editors in category I and proof readers in category IV. It may be roughly taken that papers with a circulation of over 35,000 fall under class "A" of the Wage Board's classification and the award has fixed the following scales for this class:

CLASS A

Group of Employees	Starting Pay	Scale
I ..	1,000	1000-30-1300 (6 years) -75-1600 (4 years)
II ..	500	500-40-820 (8 years) E.B. 50-920 (2 years)
III ..	175	175-20-415 (12 years) E.B. 25-515 (4 years) 42½-600 (2 years)
IV ..	125	125-7½-215 (12 years) E.B. 10-275 (6 years)

From a rough comparison of Table "A" with the scales of pay for class "A" the view can be safely hazarded that the overall wage bill for an "A" class paper after implementing the Wage Board's decisions is not likely to show a considerable difference if they are strictly adhered to. But the provision that the existing emoluments could not be reduced, the fact that those belonging to the category of senior jouranlists may at present be drawing salaries likely to be in excess of those recommended by the Board and the adjustments necessitated by the fitment of the present employees to the new scale—all these may in fact throw a severe burden on particular papers falling in this class. The Press Commission has found that it is those papers that paid their journalists better that were also employing more journalists on their staff It may be, in fact therefore that the burden is increased on what may be the most efficient newspaper managements. Perhaps this is no more than the usual injustice involved in all welfare policies; they generally tax those that have, since they can get nothing out of the have-nots. But who will say that this is not sometimes a tax on efficiency and hard work? The Wage Board for Journalists can no more escape the charge that it hurts some of the best than can the canons of progressive taxation which provide the accepted vehicle of social justice in our impatient time.

TABLE A.

Emoluments	No. of papers	Junior journalists
Rs. 101-200	1	40
Rs. 201-350	3	137
Rs. 351-500	1	42
Rs. 501-750	1	50
Over Rs. 750	1	17
TOTAL	7	286

Emoluments	No. of papers	Senior journalists
Rs. 351-500	1	8
Rs. 501-750	1	4
Over Rs. 750	5	23
TOTAL	7	35

THE IMPACT OF EXCISE DUTIES ON PRICES

THE Budget proposals of indirect taxation have provoked first reaction of great resentment. The burden of criticism has been that they will impose a severe strain on the common man by causing considerable increase in the prices of daily necessities of life and therefore in the cost of living. The wide range of commodities which has been selected for indirect taxation and the fact that the total additional revenue from indirect taxes during the remaining period of the current financial year will be of the order of Rs. 55 crores have lent colour to the view that the effect of the taxes will be very heavy on the middle and lower classes. Out of this increase, the Union Excise accounts for Rs. 49 crores. Table I below recapitulates the Budget estimates of the probable additional yields from the new levies of excise duties. No less than thirteen commodities have been selected for additional levy of excise duties. On a superficial view there appears to be much force in this contention. It is essential, however, to assess statistically the approximate impact of the excise duties in order to gauge the real burden that is going to be imposed. The Research Section of 'The Eastern Economist' has attempted to assess this burden with reference to the likely rise in the general indices of wholesale prices immediately after enforcement of the duties. It will be obvious from the analysis here attempted that the popular belief has little basis. The increase in the wholesale prices index will not be higher than 1½ per cent as compared to the latest published index for April 20 last.

TABLE I.

INDIRECT TAXATION

	(Rs. Crores)
I) Sugar	18.55
II) Cement	6.70
III) Motor Spirit	6.65
IV) Matches	6.20
V) Un-MANUFACTURED TOBACCO	6.15
VI) Steel Ingots	5.70
VII) Vegetable non-essential oils	3.15
VIII) Tea	2.45
IX) Paper	2.00
X) Refined Diesel oil ..	1.90
XI) Coffee	0.80
XII) Diesel oil, not otherwise classified	0.35
XIII) Kerosene	0.20

Table II on next page sets out the importance of the thirteen commodities as represented by their weights in the wholesale price index (base year ended August 1939=100) and their indices before and after the Budget proposals. As has been stated earlier, the indices for the pre-Budget week refer to the week ended April 20, 1957. The post-Budget indices have been computed by adding the full impost of excise duties on the wholesale prices. When the post-Budget indices are fitted into the general scheme of the overall index of wholesale prices, it is found that the final effect of these duties is to push up the price index by 6 to 7 points, 6.64 to be precise. This is equivalent to an increase of 1½ per cent in the wholesale index immediately in the wake of the Budget proposals. The thirteen commodities show varying degrees of impact on the index. The greatest contribution to the rise in the index comes from three commodities, namely, unmanufactured tobacco, sugar and tea in the order of their importance. This order of importance in the contribution to the

increase in the general index has been arrived at not merely by calculating the absolute increases in the individual indices but by taking full account of the weightages assigned to these commodities in the general index. The combined effect of these three leading commodities is to raise the index by 5 points while the rest of the ten commodities put together give an increase of only 1.6 points.

TABLE II.

GENERAL INDEX OF WHOLESALE PRICES

(Base: Year Ended August, 1939=100)

Commodity	Weight (Per cent)	Index Numbers (Pre-Budget)	Index Numbers (Post-Budget)
Motor Spirit ..	1.02	213	234
Diesel oils	Not included		
Kerosene ..	1.19	209	211
Cement ..	0.60	320	368
Iron and Steel Manufacture ..	2.40	333	348
Sugar ..	4.03	266	306
Vegetable Oils ..	2.72	573	585
Tea ..	2.17	489	538
Coffee ..	0.31	631	688
Un-manufactured Tobacco ..	1.68	839	973
Matches ..	0.30	232	327
Paper ..	0.60	360	364

TABLE III.

GENERAL INDEX OF WHOLESALE PRICES

(Base: 1952-53=100)

Commodity	Weight (Per cent)	Index Numbers (Pre-Budget)	Index Numbers (Post-Budget)
Motor Spirit ..	0.74	100	110
Diesel Oil ..	0.17	99	101
Kerosene ..	0.26	91	93
Cement ..	0.35	113	130
Iron and Steel Manufactures ..	0.11	132	138
Sugar ..	1.76	95	109
Vegetable Oils ..	4.69	121	124
Tea ..	1.92	143	157
Coffee ..	0.15	85	93
Un-manufactured Tobacco ..	1.60	84	97
Matches ..	0.35	100	141
Paper ..	0.61	101	102

Table III above gives the same composition on the basis of the new series with base 1952-53=100. The total effect of the Budget excise proposals on the wholesale prices index is to raise it by 1.24 per cent above the pre-Budget index of April 13 last. Here also the three leading contributors to the rise in the index are the same commodities as in the case of the index based on the 1939 series but with slight difference in the order of their importance. The pride of place goes to tea, sugar retains its second rank, while unmanufactured tobacco comes third. These three commodities between them push up the general index by 0.73 per cent, the remaining increase of 0.51 per cent coming from the rest of the ten commodities.

A significant point that emerges from a study of the three tables needs to be highlighted. The commodities which are the prime contributors in pushing up the general index of wholesale prices are not necessarily the commodities whose yields to the Exchequer are the maximum. Sugar alone is an exception to this conclusion. Cement, motor spirit and matches which between them bring an additional revenue of Rs. 20 crores out of the total of Rs. 49 crores due to excise have little inflationary effect as evidence by their shares in raising the general index. Whereas the combined contribution of sugar, unmanufactured tobacco and tea to the additional yield from excise is one-half their share in raising the general index is a little more than two-thirds.

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Economic Report from the U. S.

THE STEEL OUTLOOK

(By GUY SIMS FITCH)

HOBOKEN (New Jersey), May 7.—The past few weeks have been marked by new expressions of confidence in the United States economy—confidence extending beyond the coming months to the years ahead. It is based primarily on the need for greater industrial capacity and the never-ending search for new products. Indicative of the current thinking was a statement this week by Roger M. Blough, Chairman of United States Steel Corporation, the nation's largest company in this basic industry. Echoing the sentiments of virtually all steel officials, Blough told a stockholders' meeting here that their company's most difficult problem is not any "temporary drop" in operations, but keeping pace with the "relentless demand."

By 1975, he said, the nation's steel-making capacity will have to be expanded another 50 million short tons —some 37.5 per cent—over the present 133.5 million tons. Not the least of the factors behind this expansion will be continuing population growth accompanied by increasing consumer purchasing power. Scientific research and product development play an important part in the steel outlook, according to Blough and other industry leaders. Metallurgists, for example, are now working on new types of steel that promise to be "more than twice as strong as any commercial metal known today, in Blough's words.

Industrial emphasis on growth and research is also pointed up in a recent report by the Mcgraw-Hill Company. This publishing firm's annual assessments of business plans for expansion and modernization of production facilities have by now become accepted barometers of economic sentiment in the United States. They are not mere forecasts, but reflections by fairly firm programmes. Mcgraw-Hill' latest report puts the 1957 total for capital spending at a record $41,000 million, up 12 per cent from 1956. What is more, business men already have scheduled an annual outlay of $35,000 million for as far ahead as 1960. The actual total undoubtedly will be higher than that, as new programmes are drawn up. But even at the rate now planned, US industrial capacity will be 74 per cent greater in 1960 than it was in 1950, and 15 per cent greater than it is today. The larger outlays on new plant and equipment go hand in hand with heavy investments in research and development. The survey shows that spending for these purposes will come to nearly $7,400 million this year—some 20 per cent more than last year, and about double the 1953 total. By 1960, industry expects to be spending more than $9,000 million—a figure that may well turn out to be an underestimate. Such programmes are fully in line with industry's sales expectations, manufacturers see their sales rising 26 per cent in the next three years. And 10 per cent of their 1960 volume bids fair to be in new products—products not made at all in 1956, or so improved as to be virtually new.

Reflecting the anticipated introduction of new equipment and processes in American industry, the nation's machinery makers expect some 20 per cent of their 1960 sales to be in wholly new types. The extent to which industrial expansion and research have in the past been transforming the American economy is revealed in a recent report by the US Department of Commerce. After studying long-term trends, the Department concludes that new products have been a major stimulus to economic growth. The fastest growing product, its reports show, have all been introduced in the past 25 years, many of them within the past decade. Their variety ranges all the way from titanium to antibiotics, from clothes dryers and foam rubber mattresses to insecticides,—all of them obscure or totally unknown in the recent past, but widely used today.

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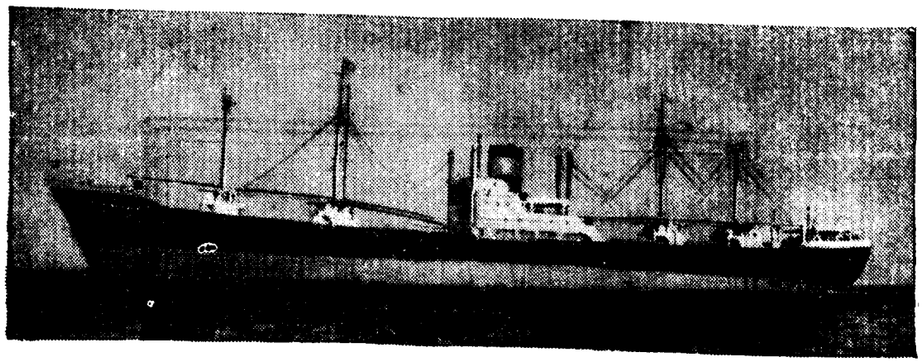


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The Business World

MUDDLING IN MANGANESE

By CROESUS

IN the context of the country's urgent need for augmenting its foreign exchange earnings which every official spokesmen—right from the President and the Prime Minister downwards—has been stressing so often, one has a right to expect the correct lead from the officials of the State Trading Corporation. But, unfortunately, this does not appear to be forthcoming; instead, the S.T.C is fast becoming the laughing stock of the people being openly dubbed as "an asylum of orphans" and so on. I have not the least doubt that those connected with the S.T.C. would have endeavoured to divert attention by dismissing all such criticism as "interested propaganda" had it come from the business community, but, happily for the country, they are denied this chance, inasmuch as reports about the unsatisfactory state of affairs inside the S.T.C. organisation have emanated from the headquarters of the Government of India and prominently featured in sections of the daily Press known to be at once fair and friendly to the powers-that-be. That something is rotten in the State of Denmark (S.T.C.) is thus clear. In any case, one need not labour the point except perhaps to illustrate it by reference to the handling by the S.T.C. of any one commodity. No other commodity has attracted so much attention lately as manganese has done, presumably because there is still "co-existence" in manganese trading and the S.T.C.'s performance stands in glaring contrast to that of the private sector. Manganese interests—miners, traders and shippers all—have certainly rendered a better account of themselves than the S.T.C. even since the latter chose to enter the field. Instead of toning up the export trade in manganese which the S.T.C. set out to do ostensibly, it has only created near chaotic conditions. Thus, although there are enquiries from foreign buyers to the tune of some 3 to 4 lakh tons, private interests are not in a position to conclude any business on a firm basis in the absence of a decisive policy by the Government. It is but natural for the Government to favour the S.T.C., but, in this process, it seems to have forgotten that it is only the country's interests that are being held to ransom thereby. For, since the entry of the S.T.C., it has become almost impossible, it is stated, for miners and shippers to enter into any fairly long-term deals as they could do before. Needless to say such long-term deals not only ensure a given quantum of exports for the country but also serve as an effective insurance against undue or wild fluctuations in prices.

Again, although the authorities may not accept, it is contestible that the S.T.C. is not able to hold its own against foreign buyers, who have not been slow to take advantage of the amateur officers of the S.T.C., as witness the fact that the bulk of the S.T.C. shipments of manganese so far consisted mainly, if not wholly, of high grade ores. Normal trade practice used to be to send properly blended consignments consisting partly of the higher and partly of the lower ore, which meant more exports and, therefore, more foreign exchange for the country. Brow-beaten by skilled and veteran representatives of foreign buyers, and feeling elated at having got a slightly higher price, the S.T.C. officials seem to be blissfully ignorant of the harm they have thus unwittingly done to the country's manganese export business.

Even before the S.T.C. has found its feet, it is wanting to embark on an ambitious scheme of procurement and sales in which all shippers are asked to act as a "homogeneous organisation", and the irony of it is that, by agreeing to the scheme, they will have to allow the S.T.C. a discount ranging from 6 per cent to 23 per cent (and more if prices go above Rs. 230) on the F.O.B. price, excluding duty, realised by the S.T.C. If a Government-sponsored body like the S.T.C. itself were to demand this price for the job of finding a buyer abroad, which manganese interests are certainly not incapable of doing, if left to themselves, how can it lie in the mouth of the Government to say that it is its avowed objective to do away with as many middlemen as possible. Evidently this is a precept meant for others and not one for the Government to practise itself.

It is most unfortunate that the authorities are still not aware that the ground is being cut under their feet imperceptibly all the time, as a result of their unhelpful and ill-advised policy in regard to exports of manganese. And the tragedy is that this is happening just at a time when India is beginning to have fresh and more powerful rivals in the field. True, America has for long been our best customer for manganese, but it is feared, this fortunate position may not last. (That country's import of Indian manganese out of a total of 31.28 lakh short tons, according to the latest published figures, was 12.28 lakh short tons, as against her import of only 4 lakh short tons from South Africa, 1.4 lakh short tons from Cuba, and 1.6 lakh tons from Brazil). Apart from other causes, a very important factor that may reduce the US offtake of Indian manganese is that America has begun to turn more and more to South American countries, which is certainly not an unnatural development. Besides being nearer and, therefore, less costly, purchase of the South American ore will also make for increased popularity of the USA—a great political gain—in the South American countries. Accordingly America has underwritten extensive exploratory work now going in Brazil ond elsewhere. The Bethlahem Steel Company, for example, has reportedly entered into a deal with Brazil to extract some six lakh tons of manganese ore annually. Similarly, the National Tungsten Corporation also is shortly to exploit manganese ore in Chile. At least to some extent, this is the result of part of the trade going into the hands of the S.T.C. and of the export duty.

While India is in the process of slowly losing an importont customer like the USA, thus, there is the alarming prospect, at the same time, of our having fresh rivals from the African continent. In addition to South Africa, French Morocco, Ghana, Egypt, Mozambigue and Tunisia bid fair to figure as serious rival to India in regard to manganese exports to America, Russia too is a serious rival, although for the time being, her competition is being felt by India only in the European continent. This may extend to Japan also ere-long.

In the highly competitive market that is thus developing, if any country has to make headway in pushing its exports, it must offer better quality goods at relatively cheaper prices, and according to a fixed time schedule. Since the advent of the S.T.C. and the recently revied export duty, none of these important pre-requisities can be guaranteed, as was possible when the export trade in manganese was wholly in the hands of miners and private traders. It is not surprising, therefore, that there has already started a decline in our exports of manganese.

As against this undoubtedly dismal picture, there is, however, one redeeming feature about the S.T.C. which must go on record. It is the admittedly valiant efforts of the Managing Director of that body "to tidy up procedures in this rather untidy organisation (vide

'Hindustan Times' weekly of 21-4-1957) and bring about a drastic reorganisation of both personnel and administration". I am not concerned with this aspect of the S.T.C., nor do I claim to have made an investigation into it, but I know from enquiries in manganese circles and from reputed firms engaged in the export of this ore that, notwithstanding the alleged organisational difficulties no effort is being spared by this official to secure the wholehearted co-operation of all exporters in India irrespective of whether they are private exporters sponsored by the S.T.C. or those doing export on their own account. Whatever the outcome, it is reassuring to learn that at least the approoch is along sound lines.

In so far as private manganese interests are concerned, they say that, if this country's manganese exports have not only to be maintained but improved upon, as the authorities want, the latter must at once reconsider the question of the export duty, especially on lower grade ores, and allow exports freely. Of course, they take it for granted that the Government of India would evolve and declare its future export policy in unequivocal terms so as to make-possible the conclusion of long-term contracts, at least such contracts as are indisputably in the longer interests of the country.

BANKS AND INDUSTRIAL CREDITS

By CROESUS

IT is now fairly generally accepted that a solution to the problem of medium term credit in this country brooks no further delay, but there does not seem to be the same degree of public acceptance in respect of the method and manner of tackling it. From time to time, various suggestions were made, but the latest one and the one that has taken concrete shape is the suggestion to start an altogether separate institution — Refinance Corporation—for the purpose.

As Mr. G. D. Birla pointed out recently, (in his statement circulated to the shareholders of the United Commercial Bank Ltd., on the occasion of the 14th Annual Meeting of the Bank), "there is already an appreciable element of medium term financing included in the advances of scheduled banks and other investments." Even in the UK, where liquidity has been claimed to be and is, in fact, the dominant feature, by and large, there are known to be exceptions. Again, as in our country, in England too, commercial banks have been providing medium-term, nay even long-term credit, albeit in an indirect way, to their clients. There also, banks have contributed to specialised credit institutions like the Industrial and Commercial Finance Corporations. The recently released report of the European Productivity Agency of the O.E.E.C.—"The Supply of Capital Funds for Industrial Development in Europe" —throws light on the latest trend among banks in other countries of Europe and points out that, while not abandoning their customary role as suppliers of short-term credit, they are not averse to shouldering the responsibility of medium term credit.

Some of the banking trends in Europe which have paved the way for this incursion of banks into the field of medium-term credit are also noticeable in our country, as, for example, the relatively greater rate in the growth of time deposits vis-a-vis demand deposits. But conditions in this country differ from those in European countries in one important respect, namely, in regard to the saving and the banking habit. Both of these require to be greatly accelerated if they have to keep pace with the rapid growth of our economy. To quote Mr. Birla on this point, "the only unsatisfactory feature is that bank deposits have not registered a growth commensurate with the growth of our economy. Conditions have to be created under which there may be a revival of real savings and encouragement to domestic capital formation."

An important pre-requisite to our banks launching on any medium term credit experiment is that they should have an adequate credit base. With the ratio of advances of our commercial banks to their deposits being what it is today, it is clear, again, as Mr. Birla pointed out, that they lack the credit base to carry the additional burden of providing medium-term finance to our industries. In view of this, two splendid suggestions were made by Mr. Birla, one to promote long-term deposits from the public and the other to use the counterpart funds of the US wheat loan to India for assistance to industries in the private sector as, in fact, these are required to be used under our agreement with the US Government. Because the first will take some time and as the problem requires to be urgently tackled, he wanted a beginning to be made with his second suggestion. Herein lies the nucleas of the newly blossomed Refinance Corporation, and it is just as well that it took this form. For, according to an earlier proposal which fortunately received short shrift, it would appear, these counterpart funds were to have been entrusted to the State Bank of India and distributed to industries in the private sector through selected commercial banks.

It is against this background that one has to view the structure of the newly created Refinance Corporation and its future scope. By creating an altogether new body, the Government of India must be said to have blunted the edge of the controversy that, as between the State Bank of India and the Finance Corporations, the latter should have received preference. In the event, the controversy proved to be a case of a quarrel between the two benefiting the third but, in this case, it so happens that the third is the deserving third. The structure of the R.C. is such as to ensure the co-operation of all that matter and the participating banks in particular which have had their problem of finding finance for giving medium term credit all but solved for them. The R.C. starts with a bang as it were, having as much as Rs. 38.5 crores even to begin with, and, out of this total, all that the participating banks have had to find is no more than Rs. 2.5 crores. Each of these banks will have a quota related presumably to its subscription to the R.C.'s initial capital and, out of this quota, the bank concerned can satisfy the demand for medium term credit of any of its clients subject to the maximum loan for a borrower of Rs. 50 lakhs. Normally, for the smaller industries which are the ones generally that are most handicapped for medium term finance, this amount should be enough to tide them over a temporary crisis. To the banks, the R.C. provides an additional source of business and the 1½ per cent they are allowed to charge over and above the rate they have to pay to the R.C. should satisfy them, inasmuch as it is more than the servicing charges for such transactions which co-operative institutions are permitted to receive. It is true that the participating banks have to hold themselves responsible for their respective clients, but this is of the very essence of the scheme, for, if banks cannot take the risk in respect of their own clients, who will do it? In this respect, they are any day better placed than Finance Corporations. There is no reason, therefore why they (banks) should not assume the risk and think in terms of asking the Government to share the risk. It is like Oliver Twist asking for more of the Government.

BUSINESS NOTES

INDO-JAPANESE CO-OPERATION

THE POST-WAR reconstruction of Japan and the unprecedented progress it has made in the field of industry and commerce in recent years is a source of inspiration and guidance to many Asian and African countries, which are now engaged in economic development, after decades of foreign rule. Their achievements are a proof of, and a testimony to, their patience, initiative, courage and entrepreneurial zeal. India too has much to learn from Japan, especially in the development of cottage industries, which have been assigned an important place in our second Five-Year Plan. Indo-Japanese friendship, particularly in the field of commerce and trade, has its roots in very olden times. Both Mr. F. Hayshi, the outgoing Consul-General for Japan, and Mr. D. N Shroff, Chairman of the Silk and Art-Silk Mills Association, very pertinently stressed this point — Indo-Japanese friendship and co-operation — on the eve of the former's departure and a send-off to him at the "Resham Bhavan", in Bombay, last week.

Mr. Shroff expressed the view that the Indian Rayon industry owes its inception to Japan, for, during the thirties of this century, he said, there was a tremendous flow of Japanese Art Silk fabrics to India which attracted the business minds of this country, and providing an initiative to try their hands in this line. Though there are certain similarities in the conditions prevailing in both the countries there is one striking disparity, namely, the shortage of raw material in India; also labour is not as cheap or skilled as in Japan. The shortage of raw materials is, as Mr. Shroff said, due to stringency of foreign exchange, on the one hand and the inadequecy of indigenous production on the door. Continuing, the Silk and Art-Silk Mills' Association's chief expressed the hope that the business relationship between the members of his Association with the Japanese manufacturers would increase in the years to come, as mutual business has been progressively increasing. He further hoped that both the countries "will join hands and explore every possibility of increasing the volume of intra-regional trade in Asia and the Far East as desired by the Economic Commission for Asia and the Far East."

STRAINS IN TEXTILE INDUSTRY

IN HIS speech at the annual general meeting of the shareholders of the Buckingham and Carnatic Company, Mr. R. E. Castell, Chairman, pointed out how the last year had not been an easy one for the textile industry. It was characterised by the accumulation of stocks and this may look odd when the total production of mill and handloom cloth minus the quantity exported provided only 16 yards 'per capita'. The explanation seems to lie in the fact that it is due to the restrictive effect on purchases by the higher costs and the diversion of spending by the people to other essentials. The demand for cloth, however, is bound to grow in the coming years and Mr. Castell's view that the official estimate that the 'per capita' demand for cloth would be 18½ yards by 1960-61 errs on the conservative side accords with a realistic appraisal. Mr. Castell has also pointed out that the circumstances in which the excise duties were imposed gave rise to a widespread belief that they were of a temporary nature and that cloth would be available later on at cheap rates. Though this has not materialised, there is no reason why Government should delay the implementation of their plans for increasing cloth production when demand is bound to outstrip supply in the future.

However, here again the mill industry is faced with obstacles. Mr. Castell has explained how the conditions attached by Government to the scheme for expansion of the mill industry are most exacting, especially the obligation that all the production of the new looms must be exported in addition to almost all the production previously exported. Government have also stipulated that for every yard of the guaranteed quantity not exported, a penal duty will be levied on the mill concerned. This condition would certainly involve a serious risk for the industry in view of the increasing competition in overseas markets. Mr. Castell has, however, told the meeting that so far as the company is concerned they have decided that in spite of the risks they should not miss the opportunity of increasing the productive installation of their mills. Hence they had agreed to the allocation of 144 new automatic looms. (The Government's plan in this regard, for the mill sector, it may be mentioned, is to instal 14,600 additional automatic looms to produce 350 million yards of cloth for export). The export sales of the company last year has been creditable in spite of keen foreign competition and it earned foreign exchange to the value of nearly Rs. 1,90,00,000. Whether it would be able to maintain the same level would depend on their success in getting essential machines, components, etc., for their modernisation programme, which seems by no means easy in view of the foreign exchange difficulties.

EXPORT PROMOTION: A.I.M.O.'S MEMORANDUM

THE PATTERN of India's foreign trade, particularly since the implementation of the first Five-Year Plan, has been undergoing significant changes to suit the requirements of the country's developmental programme. One such change is the shift from raw materials to semi-manufactured goods in the composition of exports and to capital goods in that of imports. This shift, which is clearly reflected in the large deficits of our balance of payments, almost from the commencement of our second Five-Year Plan, has led to a foreign exchange crisis. Export Promotion, one of the main ways of bridging the yawning gap in our foreign exchange budget, has accordingly been receiving increasing attention lately. An Export Promotion Committee has been appointed which is even now examining the ways and means of promoting exports. In a comprehensive memorandum which the All-India Manufacturers' Organisation has submitted to the Committee, the Organisation deals with various aspects of this vital problem. The Memorandum while appreciating the anxiety of the Government to augment its foreign exchange resources, urges, among other things, creation of Export Promotion Councils for various commodities, setting up of Commodity Boards, diversification of exports, vigorous drive to increase tourist traffic intensification of publicity abroad, expanding and strengthening trade commissioners' and commercial secretaries' institutions etc; and lays particular stress on four important facets of this problem, namely, the "Price factor," the quality factor, the transport problem and the "invisible items".

Regarding the price factor, the memorandum says that as the Indian exporter has to offer competitive prices in foreign markets, the Government should, by various fiscal measures, enable him to face competition from other countries in the market abroad. The second factor — the quality factor — is perhaps still more important to safeguard the interests of Indian exporters in the international markets. "Constant endeavour", as the memorandum says, "to improve the quality of our products to meet the demand and taste of discriminating foreign consumer" is imperative. This improvement of quality must be sustained so as to maintain the reputation once attained. With regard to transport — a

vital link in the chain of economic development — the memorandum suggests that the freight rate structure of goods meant for export should be so revised as to help the exporter in increasing his competitive capacity in foreign markets. Finally, the AIMO contends that there is considerable scope for augmenting our foreign exchange earnings through the three "invisible export items" namely, banking, insurance, and shipping. It is well known that the foreign exchange banks are better placed than their Indian counterparts in regard to providing credit facilities to their customers. As our exchange banks are still relatively new to foreign exchange and as the financial resources of our banks are severely limited vis-a-vis those of their foreign counterparts, they are not in a position to serve our export trade to the extent necessary. Besides, it is the AIMO's view that a considerable amount of foreign exchange could be earned through insurance, which is given "little direct or indirect encouragement by the Government." It suggests for instance, that by giving every possible encouragement, such as giving exemption from taxation on profits earned by the insurance companies on their operations abroad, the scope for earning foreign exchange could be increased. The memorandum also urges the Government to increase the tonnage of Indian shipping by providing assistance, such as loans on liberal terms to private companies for acquisition of ships. It also pleads for more direct shipping services with various parts of the world, particularly with those countries with which India has greater trade relations. As it is, the AIMO fears that even the modest target of 0.5 million tons, fixed by the Planning Commission for overseas tonnage may be difficult to reach due to financial stringency. It, therefore, makes the bold suggestion "that the World Bank should be approached for a loan of foreign currency against the mortgage of ships to be purchased". Inasmuch as the foreign currency borrowed thus will start earning foreign exchange almost immediately, the Organisation adds, it will not be a burden at all.

SCOPE OF CHEMICAL INDUSTRIES

IT IS heartening to learn from the speech of Mr. Manubhai Shah, delivered at the first meeting of the reconstituted Development Council for Heavy Chemicals, that the Chemical and Alkali industries in the country had now reached a stage of development when not only quick expansion could take place, but a growing export market for their exports could also be developed. The Minister disclosed that the Government had decided to set up an Export Promotion Cell in the Development Wing of the Ministry of Commerce and Industry. The Cell, which would cover heavy industries, engineering industries, chemical industries and consumer and light industries, would try to co-ordinate the work of the Development Councils on the one hand and the export promotion bodies on the other.

One salutary aspect of the reconstitution is that it may be possible to evolve a National Fertiliser Policy in close collaboration with the Ministry of Food and Agriculture and other Government agencies concerned. There is no doubt that dependence on the production of one type of fertiliser alone, namely, nitrogenous fertilizer is out of the question. Modern agricultural practices, of course, do require a balanced development of nitrogenous as well as phosphatic and potassium fertilizers. It is on account of this that a proper development of phosphoric acid and phosphatic industries is to be struck. India at present exports 1.5 to 2 lakh tons of bones every year. It is felt that if bone utilization plants of economic sizes were set up in the North, South, West and Central Regions of India, near the caustic soda chlorine factories, the country could gain valuable products like bone meal, ossein for high grade gelatin and glue and phosphates which may also enable us to earn more foreign exchange.

It was revealed by Mr. Shah that a joint meeting of Development Council for Alkalis, Acids and Fertilizers, Drugs and Pharmaceuticals and representatives of other Ministries would be held next month in Bombay. A joint meeting of the Development Council is to be welcomed as it may help in evolving soon a national drug policy, based on the indigenous manufacture of primary intermediates, synthetic drugs, vitamins, antibiotics, alkaloids and other drugs and heavy alkalis and acids.

BANGALORE WOOLLEN

Mr. R. E. CASTELL, Chairman of the Bangalore Woollen, Cotton and Silk Mills Company in his address to the annual general meeting of the Company, drew pointed attention to one aspect of the company finances that is causing some genuine concern to those connected with business, viz., the compulsory deposit scheme. The draft rules recently published have not made it clear whether the reserves employed as working capital would be exempt from making such deposits. Referring to this aspect, Mr. Castell has pertinently observed "Your Directors view with grave concern the implications of the provisions relating to the compulsory deposit with the Central Government of certain proportions of accumulated and current reserves. This company, which has consistently followed the conservative finance policy of a reasonable allocation of profits between dividends and reserves is all the more adversely affected by this recent legislation and I can only hope that the draft rules, which have recently been published for general information, will finally make it clear beyond all doubt that those companies where the reserves are being fully used for the purpose of the business will be exempt from making such deposits".

For the rest, the Chairman dealt with the progress of the company. In spite of intense competition in overseas markets, the company's export sales of cloth in 1956 were considerably more than in the previous year. After several years of losses, the company's woollen section made a modest profit in 1956. Production and sales in the company's silk section also exceeded all previous records. The company has also decided not to miss the opportunity to expand their existing installation and has accepted an allocation of 96 new automatic looms and its further plans of expansion would depend on the policy Government is to announce regarding the other looms which they have to buy from abroad.

NOTICE

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Company Meetings

THE BUCKINGHAM & CARNATIC CO. LTD.

CHAIRMAN'S SPEECH

Presiding at the Thirty-sixth Annual General Meeting of the Shareholders held at the Company's Office, 7, Armenian Street, Madras, on Friday, 26th April, 1957, Mr. R. E. Castell said:

Gentlemen,

The Report of the Directors and the Accounts for the year ended 31st December, 1956, having been in your hands for the requisite time, I propose with your permission to take them as read, but I will be glad to reply to questions later.

The delay in publishing the accounts and the holding of the Annual Meeting is regretted, but is due to the many complications which arose in preparing the accounts in accordance with the new Companies Act and because of the additional notice to shareholders which it is now necessary to give under that Act.

The year under review was not an easy one for the Indian textile industry and the present trading results of your Company for 1956 owe much to the progress made with modernisation of machinery and manufacturing methods and to the continuing popularity of the Company's products. That this process of modernisation should be continued is essential for maintaining the Company's high standard of quality and to mitigate the effect of higher wages, heavy sales taxes and excise duties, by every possible economy in production methods. There are obstacles now in prospect which are likely to impede our further efforts with the general programme of modernisation, and I think it right that you should be informed of your Directors' present anxiety on this matter. The obstacles before us arise from India's present shortage of foreign exchange, which has caused Government to adopt a most stringent import licensing policy. The effect on your Company seems likely to be serious as much of our programme of modernisation depends on our obtaining machinery and components which at present can only be secured abroad, and which may not for many years yet be made in India, whereas our needs are urgent.

Our first new Weaving Shed reached the stage of full operation in 1956 and has made a substantial contribution to the increase in the Company's productivity. The completion of our second new Weaving Shed, the building of which is already well advanced, forms an important part of our modernisation programme and to make this second new Weaving Shed as efficient as the first, we require a range of foreign precision-made components for rehabilitating the existing automatic looms to be transferred to it from the old buildings. The issue of import licences to cover these components is of vital importance.

Yet another cause of anxiety is the prospect of drastic cuts in imports of dyestuffs, textile auxiliaries and other essential stores not now made in India, but which are so vital for our present standards of quality and variety. As you know, almost every yard of your Company's production is either bleached or dyed, and much of it is specially finished by one process or another. Unless we have the materials necessary to supply a range of well woven and properly finished cloths in pleasing and lasting colours, we cannot hope to continue to satisfy the Indian public or our customers overseas, who can afford to be fastidious and exacting, as there are other manufacturing countries eager and well equipped to supply all their needs.

The textile industry as a whole was embarrassed last year by accumulation stock and this difficulty generally continues. Your Company was not much inconvenienced in this way, but in spite of the widespread popularity of their products, it was found necessary to reduce prices in order to compete overseas and internally to absorb some part of the heavy increases in excise duties during the year, particularly those from 1st September, 1956.

The final official estimate was that by 1960-61 the per capita demand for cloth would be 18½ yards: other authorities, including representatives of the textile industry, and I share their opinion, consider the official estimate too low. At first sight it seems strange that stocks should have accumulated in 1956 when the total production of mill and handloom cloth, less the quantity exported, provided only 16 yards per capita. While there is no doubt that the higher cost to the consumer had in itself a restrictive effect on purchases, the circumstances in which the latest excise duties were imposed gave rise to a widespread belief that they were of a temporary nature and that cloth would be available later on at cheaper rates. There also seems to have been some diversion of spending by the masses to other essentials and to luxuries also.

I am still convinced, however, that within the next year or two the demand for cloth is likely to exceed supply, and I hope, therefore, that Government will not unduly prolong the implementation of their plans, announced in June 1956, for increasing cloth production.

As you will remember, these plans included the handloom industry and the mills, not to mention the powerlooms and the Ambar Charkha: for the Mills the plan was to instal 14,600 additional automatic looms to produce 350 million yards of cloth for export. The conditions attached by Government to the scheme for expansion of the mill industry are most exacting, particularly in the obligation that all the production of the new looms must be exported in addition to almost all the production previously exported. For every yard of the guaranteed quantity not exported, it is intended that a penal duty will be levied on the mill concerned. This condition involves a serious business risk for the industry, in view of the ever increasing competition in overseas markets, which has been reflected in the progressive decline in India's exports of cloth for the past three years.

However, after very careful consideration of all the circumstances, your Directors decided that in spite of the risks, it would be wrong to miss the opportunity

of increasing the productive installation of your mills, for which we have all waited so long. We, therefore, accepted an allocation of 144 new automatic looms, but I am sorry to say that we cannot proceed with the procurement of the additional machinery until Government have announced their policy regarding the looms and other machinery which it will be necessary to import in order to expand our unit with proper efficiency. Even if Government make a decision soon, it is unlikely that the new machinery can be installed and in operation before the end of 1958 at the earliest.

I am glad to tell you that by strenuous effort we succeeded in increasing our export sales last year in the face of keen foreign competition with the result that in 1956 your Company earned foreign exchange to the value of nearly Rs. 1,90,00,000. We shall strive to improve on this performance, but it will be difficult even to maintain it unless we continue to be supplied with those essential machines, components, dyestuffs and other materials which we can as yet only obtain from abroad.

In 1956 nearly 10,000 bales of yarn were supplied by your Mills to the handloom industry against 8,500 bales in the previous year. It is possible that in the next year or two. with so many new spinning mills coming into production, and the spindleage of existing mills being increased, our statutory obligation to supply in quantities which are large for a composite mill such as ours, will be reduced or even removed.

When I addressed you last year, I mentioned that certain disputes which had been raised by labour were to be the subject of arbitration by the Hon'ble Mr. justice Ramaswamy Gownder.

In all, thirteen major issues were referred to the Arbitrator including such important ones as wages, leave facilities, bonus, shift timings, dearness allowance and gratuity.

The Award was recently published and by it Labour was granted an increased minimum basic wage, a short term Gratuity Scheme and certain other benefits. The rate of dearness allowance, the system of bonus, the leave facilities and shift timings were left unaltered, but in all, the Award has placed a considerable additional financial burden on the Company.

During the year there were one or two stoppages by sections of labour but fortunately work was resumed before interruption of the production of the Mills as a whole assumed serious proportions.

For reasons which are difficult for us to understand, the Madras Labour Union withdrew from the Mill Labour Advisory Organisation.

There is little to comment, I think, on the published Accounts which are now shown in much greater detail than has been the practice in the past. It was unfortunate that the improvement in production was offset by increased costs and reductions in selling prices.

It has been necessary to allocate Rs. 20 lakhs from Profit and Loss Account in respect of the short-term Gratuity Scheme, to which I have already referred, this being the estimated liability on this account as at the date of the Balance Sheet.

You will note that an amount of Rs. 35,50,000 has been transferred from Taxation Reserve to the Provision for Increased Replacement Costs of Buildings and Machinery and, as this represents relief from taxation on our profits for 1954 and 1955 through the operation of allowances for initial and extra normal depreciation and development rebate, it is but logical to utilise it for the purpose for which it was intended by the Government of India, that is, to finance the expansion of our reconstruction programme.

Debentures to the face value of Rs. 8,50,000 were redeemed and cancelled during the year and, in accordance with our practice, a similar amount has been transferred from the Debenture Redemption Fund to the Provision for Increased Replacement Costs of Buildings and Machinery.

Since the introduction of the Interim Budget in December, 1956, your Directors have been perturbed by the implication of the provisions relating to the compulsory deposit with the Central Government of certain proportions of accumulated and current reserves. It is obvious from our published accounts that the effect of this legislation could be extremely serious for your Company and it is, therefore, sincerely to be hoped that the draft rules which have recently been published for general information will finally make it clear beyond all doubt that those Companies whose reserves are being fully used for the purpose of the business will be exempt from making such deposits.

The liabilities of the Workpeoples' and Employees' Provident Funds, the accounts of which are now maintained by the Trustees, amounted at the 31st December 1956 to Rs. 1,50,47,590 and Rs. 13,32,355 respectively, and corresponding amounts have been invested in Trustee Securities.

In 1956, the Company made a donation of Rs. 75,000 to the University of Madras on the special occasion of its Centenary. This sum combined with donations from the Bangalore Woollen, Cotton & Silk Mills Co., Ltd. and Binny & Co. (Madras) Ltd., has been earmarked to provide a hostel for accommodating research students in chemical engineering, textile technology and allied subjects.

Nowadays there is little if anything which is either private or free in that sector of enterprise in which we are engaged but in spite of all new problems and difficulties your Company has made further progress. I would like once again to ask you to join me in a word of praise for the executive and supervisory staff of the Management and the Mills. By their conscientiousness and zeal, they are helping your Company to make a valuable contribution towards the second Five-Year Plan and I only wish that their efforts could be rewarded and further inspired by some mitigation of the present harsh personal taxation.

I deeply regret the untimely death last year of two former Directors of the Company, Mr. B. W. Batchelor, C.B.E. and Mr. D. V. Bulloch, whose energy, foresight and enterprise during their many years of service achieved so much for the lasting benefit of your Mills.

Note:—This document does not purport to be a report of the proceedings of the General Meeting.

THE BANGALORE WOOLLEN, COTTON & SILK MILLS CO., LTD.

CHAIRMAN'S SPEECH

Presiding at the Seventy-Fourth Annual General Meeting of the Shareholders held at the Registered Office of the Company, Agraharam Road, Bangalore City, on Saturday, 27th April 1957, Mr. R. E. Castell said:

Gentlemen,

The Directors' Report and Accounts for the year ended 31st December 1956 having been with you for the requisite time, I propose with your permission to take them as read, but after my speech I shall be glad to attend to any questions members may wish to ask.

The delay in publishing the accounts and the holding of the Annual Meeting is regretted. It is due to complications arising from the introduction of the new Companies Act and because of the additional notice to shareholders which it is now necessary to give.

As you will see from the accounts, your Company has concluded another successful trading year, the results of which have been assisted by the continuing programme of rehabilitation and replacement of machinery and the further improvement of processing methods. In spite of all that has already been accomplished, we still have a long way to go before we can complete our plans for modernisation and for this purpose more machinery and components are required, some of which must of necessity be imported, and we trust that our further progress in this direction will not be retarded by the present stringency in Import licensing arising from the shortage of foreign exchange.

As you know, your Company manufactures an unusually wide range of textile fabrics, including cotton, woollen, union and silk goods, and to maintain our reputation for quality and variety, it is impossible to rely wholly on equipment and materials made in India. Apart from the matter of machinery, therefore, your Directors are perturbed by the prospect of severe cuts in imports of those dyestuffs and other essential stores which can only be obtained abroad.

Last year, the Indian textile industry as a whole experienced an accumulation of stocks, and these conditions still obtain. I think it must be accepted that the heavy increases in excise duties during 1956 were largely responsible for the decline in offtake. Traders have developed the habit of buying cautiously partly because of the general impression that the last increases in excise duties on 1st September, 1956 were a temporary measure, and also because of the uncertainty about Government's intentions for replacing existing sales taxes on cotton textiles by excise duties. The consumer is also being cautious or maybe he is spending more of his money otherwise.

There was no serious accumulation of stocks in your Mills during the year, but it was found necessary to reduce prices for cotton cloth in order to keep goods moving despite the increases in excise duties already mentioned. It seems strange that the supply of cloth should be more than enough when only 16 yards of mill and handloom cloth is presently available for internal consumption and one could reasonably expect demand to be rising towards the official estimate of 18½ yards as at the end of the second Five-Year Plan, an estimate which many of us consider to be too low.

I do not think, however, that we should be misled by the present apparent adequacy of supply as within a year or so there is more likely to be a shortage. I hope, therefore, that Government will proceed with their plans announced last year for the expansion of the textile industry. For the most part these plans depend on expansion by the handloom industry assisted by Spinning Mills and Ambar Charkhas, and on conversion of handlooms to powerlooms. The expansion of composite mills has in fact been linked to the export trade.

The conditions laid down by Government for the installation of additional automatic looms were difficult in several respects, particularly in their insistence that all the production of the new looms be exported, as well as almost all the production previously exported. However, after carefully considering every aspect of the matter, your Directors decided that the Company should not miss the opportunity to expand their existing installation. We have, therefore, accepted an allocation of 96 new automatic looms, of which we have agreed to buy 24 from Indian manufacturers. We are waiting for Government to announce their policy regarding the other looms which we need to buy abroad.

In spite of intense competition in overseas markets, the Company's export sales of cloth in 1956 were considerably more than in the previous year, and we shall continue to exert ourselves to secure foreign exchange for India by further developing our export trade.

It is pleasing to record that after several years of losses, the Company's woollen section made a modest profit in 1956. This change of fortune was the result of sustained efforts by our technical ,administrative and sales staff to increase production and to introduce new qualities and designs. Every further effort will be made to ensure that the woollen section continues to pay its way, but a fair reward is unlikely to come to us or any other unit of the Indian woollen industry so long as the present heavy excise duties and cesses apply to woollen goods. Also, for some time now we have had to pay higher prices for wool, both indigenous and imported.

The year brought a further increase in production and sales of our popular Union fabric "Cotswol" and of the heavier cloth "Angola" which although mainly supplied to the Armed Forces is also in general demand.

Production and sales in the Company's silk section exceeded all previous records, but we now face a new problem in that we specialise in the manufacture of superior quality silk sarees and other fabrics, and although we use considerable quantities of raw silk produced in Mysore State, we must rely on importing a proportion of our requirements of filature silk and most of our needs of spun silk to maintain our reputation for the quality of our silk fabrics until such time as the indigenous materials are further improved. Unfortunately supplies of the imported materials have lately been severely cut and unless we can find some remedy for this, our production and trade in silk fabrics is likely to be seriously disturbed.

The imposition of a heavy octroi duty on raw materials and other essential items entering the City limits, announced by the Bangalore Corporation in 1954 is still a matter serious in its implications. The Company lost its case in the Mysore High Court, but has decided to appeal to the Supreme Court, for if this

duty prevails, the local industry will be handicapped by an increase in costs which will not affect other manufacturing centres.

Towards the end of 1956, the Company was asked to reduce consumption of Corporation water supply by 40 per cent. So heavy a reduction would have seriously disturbed the Company's manufacturing activities, but fortunately the Authorities later agreed to reduce the cut to about 20 per cent. Within this limit we have so far managed to avoid any serious dislocation of our output, but although we shall continue to do everything we can to offset the reduced water-supply by economies in consumption and use of bore well water, we hope that the former full supply of Corporation water will be restored shortly.

Although during the year we were involved in long discussions and negotiations with the Labour Association on a number of issues, I am glad to say that there were no stoppages of work causing loss of production.

Your Directors have set aside Rs. 3 lakhs to cover the estimated cost of Workpeople's housing during 1957, including the electrification of all the houses in Binnypet Village.

The published accounts, particularly the Profit and Loss Account, have this year been shown in much greater detail and I think, give you all the information you require regarding the financial position and the trading results of the Company.

Although there was a slight reduction in the profits of the Cotton Section, satisfactory trading in all other sections was responsible for the improvement in the profits when compared with the previous year.

You will observe from the comparative figures given in the Directors' Report that the allocations for Depreciation, Bonus, Officers Retiring Fund and Dividends remain approximately the same, but that it has been necessary to increase the Provision for Taxation by Rs. 9½ lakhs in order to cover the liability on the higher profits and also that arising from the additional burdens placed on companies by the Finance Acts of 1956.

In this regard I refer to the incidence of the increased Dividend Tax which is particularly severe on Companies where the ordinary capital represents a relatively small proportion of the total effective capital. In the case of your Company, for example, the ordinary dividend represents a modest distribution of profits of slightly over 4 per cent on the ordinary capital plus the reserves and it seems to me inequitable that we should be called upon to pay the excess Dividend Tax. However, merely because this tax is assessed arbitrarily on the rate of dividend on the ordinary capital, we are liable to an additional tax of Rs. 2,83,500.

Your Directors view with grave concern the implications of the provisions relating to the compulsory deposit with the Central Government of certain proportions of accumulated and current reserves. This Company, which has consistently followed the conservative financial policy of a reasonable allocation of profits between dividends and reserves is all the more adversely affected by this recent legislation and I can only hope that the draft rules, which have recently been published for general information will finally make it clear beyond all doubt that those Companies where the reserves are being fully used for the purposes of the business will be exempt from making such deposits.

At an Extraordinary General Meeting of the Company held on the 29th March, 1957, the necessary resolutions authorising the capitalisation of Rs. 81 lakhs from reserves and the issue to shareholders of two ordinary shares for each ordinary share held by them on that date were unanimously passed and the new share certificates are now being prepared and will shortly be issued to shareholders.

You have already received notice of an Extraordinary General Meeting which is to be held later this morning for the purpose of passing certain resolutions regarding the re-appointment of Binny & Co. (Madras) Ltd. as Managing Agents of the Company for a period of 10 years with effect from 1st January, 1957. The results of their management over a long period of years are well known to you. I am happy to inform you that the Central Government have approved of their re-appointment and your Directors recommend these resolutions for your approval.

The Workpeoples' and Employees' Provident Funds do not appear in the published accounts of the Company as they are vested in Trustees. The liabilities of these Funds as at 31st December, 1956, amounted to Rs. 64,12,070 and Rs. 4,58,264 respectively and corresponding amounts are invested in Trustee Securities.

I feel you will wish to join me once again in expressing appreciation of the valuable work done by the executive and supervisory staff of the Management and the Mills.

I deeply regret the untimely death last year of two former Directors of the Company. Mr. B. W. Batchelor, C.B.E., and Mr. D. V. Bulloch, who worked in Bangalore for several years and whose endeavours over a long period contributed much to the present efficiency and prosperity of these mills.

Note:—This document does not purport to be a report of the proceedings of the General Meeting.

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 Mr. K. P. GOENKA — General Manager Mr. S. D. PARDIWALLA

COMPANY AFFAIRS

TEXTILES AT AHMEDABAD

Some Ahmedabad Textile Mills show impressive working results during the year ending December 31, 1956. This has been in spite of increases in excise duty on cloth in March and September 1956. The present excise duty works out at 4 annas on Superfine, 3 annas on Fine, 2 annas on Medium and 1½ annas on Coarse Cloth (other than coarse dhoties and sarees on which the duty continues at ½ anna) all on a sq. yard basis. The directors of these companies feel that owing to the increase in the scale of excise duties and other disturbing features of Finance Bill proposals, all markets have received a shock from which they have not yet recovered.

As clear from the table below the sales have remained steady and profits and dividends are higher than those of the year before. Even the provisions for Depreciation and Taxation are substantially higher.

The programme for Reorganisation, Renovation and extension is common to all the four mills under review.

THE ARVIND MILLS LTD.

The rise in profits in the case of the Company under review is encouraging in view of the unfavourable conditions stated above. The dividend has, therefore, been paid at Rs. 17-8 and a bonus of Rs. 10 per ordinary share, income-tax free, for the second half of the year ending December 31, 1956. Provision for Depreciation, Development and Rehabilitation has been raised to Rs. 24.45 lakhs during the year under review against Rs. 13.52 lakhs last year. Provision for Taxation is also higher at Rs. 37.0 lakhs against Rs. 19.5 lakhs during the previous year.

The Company has spent Rs. 29.8 lakhs on the extension of buildings and installation of new machinery and equipment.

A sum of Rs. 13.75 lakhs, which was a part of the undivided profits of the Company standing to the credit of the Reserve Fund was capitalised and 13,750 ordinary shares of Rs. 100 each were issued and were entitled to dividend from January 1, 1956.

THE ASOKA MILLS LTD.

The sales (cloth, yarn and waste) of the Company during the year ending December 31, 1956, have improved to Rs. 217.7 lakhs against Rs. 207.3 during the previous year. This improvement is in spite of the hardships being faced by the Textile Industry. The profits too have improved to Rs. 16.0 lakhs against Rs. 14.2 lakhs during the last year. The amount appropriated for Depreciation, Development and Rehabilitation is also higher at Rs. 5.97 lakhs against Rs. 3.1 lakhs during the previous year. Similarly provisions for taxation are also higher at Rs. 14.0 lakhs against Rs. 13.25 lakhs.

The directors have decided to maintain the last year's dividend rate of Rs. 30 per cent per ordinary share, income-tax free.

The extension of building and new machinery installation programme of the Company has progressed very well and a sum of Rs. 10.94 lakhs was spent on this account during the year under review.

The installed capacity of the mills is 37,368 Ring Spindles and 914 looms with complete Dyeing and Bleaching plants.

THE SARASPUR MILLS LTD.

The profits of the Company during the year under review, before providing for depreciation and taxation, are higher at Rs. 25.6 lakhs against Rs. 24.4 lakhs during the previous year. The profit transferred to appropriation account, however, is lower at Rs. 9.19 lakhs, because the provisions for depreciation and taxation are higher at Rs. 5.42 lakhs and Rs. 11.00 lakhs respectively against Rs. 4.10 lakhs and Rs. 9.35 lakhs for the same items last year

The directors have decided to maintain last year's rate of Dividend at Rs. 20 per ordinary share, income-tax free.

The Company has spent Rs. 7.99 lakhs on extension of buildings and installation of new machinery and equipment during the year under review. A sum of Rs. 8.00 lakhs, a part of undivided profits standing to the credit of the Reserve Fund was capitalised and 8,000 ordinary shares were issued.

THE AHMEDABAD NEW COTTON MILLS. CO., LTD.

The gross profits (including provisions for taxation and depreciation) of the Company for the year under review stand at Rs. 14.3 lakhs against the previous year's Rs. 13.9 lakhs. The Company has transferred Rs. 6.35 lakhs and Rs. 4.50 lakhs towards depreciation and taxation against last year's Rs. 5.00 lakhs and Rs. 3.58 lakhs respectively.

Of Rs. 3.46 lakhs transferred to appropriation account, a sum of Rs. one lakh has been taken over to Reserve Fund and Dividend Equalisation Fund. The directors have recommended the payment of Rs. 20 per share on 10,000 ordinary shares. Last year's dividend of Rs. 30 per share was on 6,000 ordinary shares. 4,000 shares were issued this year by capitalising a part of the undivided profits (Rs. 4.0 lakhs) standing to the credit of the Reserve Fund.

The Company has spent Rs. 8.78 lakhs on reorganisation and renovation programme during the year under review.

WORKING RESULTS OF AHMEDABAD TEXTILE MILLS

(Rs. lakhs)

		Sales	Salaries and Wages†	Depreciation	Provision for Taxation	Profit	Dividend (Percentage)
Arvind	1955	348.9	67.9	13.5	19.5	25.2	27.5
	1956	348.3	67.6	24.5	37.0	26.4	27.5
Saraspur	1955	200.0	40.3	4.1	9.4	10.9	20
	1956	202.1	46.0	5.4	11.0	9.2	20
Asoka	1955	207.3	40.9	3.1	13.2	14.2	30
	1956	217.7	47.1	6.0	14.0	16.0	30
Ahmedabad	1955	122.6	22.8	5.0	3.9	5.1	30
	1956	121.7	27.5	6.3	4.5	3.5	20

Note: Salaries and wages include Bonus and other welfare expenses. Depreciation includes provision for Development and Rehabilitation. Profit here is indicated after taking out provisions for taxation and depreciation. The Dividend for Arvind Mills is for the second half year and includes a bonus of Rs. 10 each share. The dividend is on ordinary shares only.

COMMODITY NEWS AND NOTES

COTTON ESTIMATE FOR AFRO-ASIAN COUNTRIES

According to an estimate of the American Cynamide Company the 15 biggest Afro-Asian Cotton Growing countries will be able to produce as much as 17 million bales of cotton a year by 1960. This means an increase of about 20 per cent over the present total cotton crop of the 15 countries which is around 14.7 million bales. This will be about 20 to 25 per cent more than the usual yearly cotton crop of the U.S.A., the world's biggest producer. It is said that main cotton crop losses result from insects and are for the most part due to lack of newly discovered insecticides. It is claimed that the use of latest insect controls could lead to the following cotton production figures by 1960. India 5 million bales, Pakistan 1.7 million bales, Turkey 750,000, Syria 600,000, Iran 330,000, Burma 120,000, South Korea 87,000, China 4.8 million, Egypt 1.9 million, Sudan 540,000, Uganda 360,000, Belgian Congo 300,000, Nigeria 200,000, Mozambique 200,000 and Tanganyika 120,000.

JAPAN IMPORTS MORE SALT FROM INDIA

It is reported, Indian salt has gained considerable ground in the Japanese markets. India's share in total salt imports into Japan is estimated to have risen to 12 per cent last year from 8 per cent in 1955. During January-November, 1956, Japan imported 2,038,838 tons of salt, out of which India supplied 252,138 tons. The corresponding figures for the previous year were 1,748,276 tons and 145,675 tons respectively.

COAL RAISINGS AND DISPATCHES

Raisings and dispatches of coal recorded on all-round increase in March this year. According to official figures, production from all fields in India during the month under review was higher at 3,652,375 tons in February, 1957. Dispatches, however, showed a rise of nearly 400,000 tons from 2,850,781 tons in February, 1957, to 3,250,689 tons in the next month. Total raisings and dispatches of coal during the first quarter of 1957 were also higher at 10,798,207 tons and 9,237,998 tons compared with 9,902,934 tons and 8,314,566 tons respectively in the same quarter of last year.

TEA EXPORTS

Tea exports from major tea producing countries — India, Pakistan, Ceylon and Indonesia — rose to the record level of 989.6 million lbs. in 1956 from 834.4 million lbs. in previous year. Out of an increase of 155 million lbs. in total exports, India alone accounted for 148.5 million lbs., with exports rising from 365.6 million lbs. in 1955 to 514.1 million lbs. last year. Exports from Pakistan and Indonesia at 51.4 million lbs. and 75.9 million lbs. also showed a rise of 9.3 million lbs. and 11.5 million lbs. respectively. Shipments from Ceylon, second only to India as an exporter of tea declined to 348.1 million lbs. from 362.2 million lbs. in 1955. This is, however, no reason to be over-optimistic about the welcome upward trend in exports from India because the large increase was mainly accounted for by the carry-over of the previous season's teas and the 17 million lbs. of tea purchased by Russia during 1956-57.

KANKAR DEPOSITS IN ANDHRA STATE

Nearly 300,200 tons of kankar deposits in Bhadrachalam Taluk, East Godavari District of Andhra State has been traced by the Geological Survey of India. The deposits which occur in three areas east and south of Maduvayi, occupy a total area of about 32 acres. The analysis of the samples collected from the deposits reveal that it is of high grade and is suitable for the manufacture of cement. The Geological Survey of India, however, have advised that the question of utilising the kankar deposits in the area alone should not be considered in the manufacture of cement even to serve the local needs as the quantity available is very much limited. The question of manufacture of cement, it is stated, is linked with the scheme of exploiting the limestone at Cherla and Sudibaka where the deposits have been estimated to contain 185,000 and 160,000 tons of limestone respectively within a depth of 10 feet.

RESERVES OF MANGANESE ORE IN INDIA

The reserves of manganese ore in India have been estimated at about 112 million tons by the Indian Bureau of Mines. The reserves which are of all grades, are chiefly found in Madhya Pradesh — 100 million tons. The remaining 12 million tons are scattered in other areas. Out of the total reserves, about 60 million tons are of high grade containing 45 per cent and above of manganese. Manganese ore, which holds the second place in India's mineral production, occupies the first place in the list of minerals exported from India. The quantity of ore exported during 1955 was 837,000 tons. Of the total annual exports nearly three-fourths consists of high grade ore containing 48 per cent manganese. Exports of manganese, however, have been falling since 1953 when a maximum of 1.65 million tons were exported, earning foreign exchange worth Rs. 25.7 crores. The declining trend is attributable to lack of adequate enquiries from the U.S.A. which is the biggest purchaser of manganese ore in the world accounting for nearly 40 per cent of our annual exports. Competition from other producing countries, especially the re-entry of Russia's manganese ore in the European markets, has also been responsible. The production of the ore in 1955 which was 1,583,538 tons was higher as compared to the figure for 1954 namely, 1,413,068 tons. Under the second Plan, a production target of 2 million tons and an export target of 1.5 million tons has been proposed for manganese ore. The output of ferro-manganese is also to be stepped up from 28,000 tons to 160,000 tons by the end of the second Plan.

INCREASE IN RAPE AND MUSTARD PRODUCTION

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India second estimate of rape and mustard for the year 1956-57 puts the current year's area at 2,682,000 acres, as against the adjusted second estimate of 2,564,000 acres for 1955-56. This shows an increase of 118,000 acres or 4.6 per cent in area over last year. The increase in acreage during the current year has been shared by Punjab, U.P., Bihar, Madhya Pradesh and Bombay and has been attributed to favourable climatic conditions at the sowing time. This increase has, however, been offset to some extent by the decreases reported mainly by Rajasthan and West Bengal. The information given in this estimate generally relates to the period up to the end of February 1957. Till then, the condition of the crop was reported to be generally satisfactory. This estimate relates to the area sown exclusively to pure crop. Information regarding the crop sown mixed with other crops will be given in the final estimate only. Past experience has shown that the area given in this estimate forms roughly 40 per cent of the area under the crop finally reported.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	435.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
October 1956 ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March ,, c ..	402·7	518·1	403.3	384.1	569.8	421.3	89.9	98.9	79 8	111.5
April ,, c ..	408.3	514.7	400.0	384 3	567.8	422.1	89.9	99.0	78.7	106.8
Week Ending										
16-3-1957 ..	402.3	514.1	404.1	384 5	567.9	420.8	90.0	99.0	80.1	111.9
23-3-1957 ..	403.6	520.8	403.8	386.9	567.1	422.0	89.9	98.9	79.7	111.5
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7*	90.0	98.9	79.3	109.2
6-4-1957 ..	403.4	514.7	398.8	384·0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513 6	399.6	384·1	565.9	421 2	89.9	99.0	78 7	106.8
20-4-1957 ..	411·1	516.4	400.4	384.1	568.5	423.3*	90.0	99.0	78.4	107.0
27-4-1957 ..	411.6	514.0	401.4	384.6	570.6	423.5	90.0	99.0	78.5	106.4

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	—	—	356	—	—	145
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	148
August	344	361	253	147	368	445	411	154	372	154	151	150
September	336	352	256	140	366	445	415	153	368	151	156	149
October	342	358	261	152	364	449	415	153	362	153	153	149
November	340	356	—	154	361	446	415	154	369	157	153	152
December	340	356	—	151	356	436	418	156	370	157	149	150
1957 January	339	355	—	150	354	438	418	156	372	157	144	149
February	341	357	—	150	350	418	—	—	369	—	—	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	3-5-1957			26-4-1957			19-4-1957			12-4-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	105-15	104-15	105- 8	105-13	105- 6	105-10	106-12	105- 5	105-12	106- 1	105- 0	105- 9
Silver (per 100 fine tolas)	183-13	182- 0	182-14	181-14	179-13	180-15	182- 1	179- 4	180- 8	180- 7	178- 7	179- 3

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	ASSETS: Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52:91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
22-3-1957 ..	1,517,79	19,41	1,537,20	117,76	412,52	530,28	34.5	121,95	884,97	1,537,20
29-3-1957 ..	1,526,09	11,77	1,537,86	117,76	412,52	530,28	34.5	122,61	884,97	1,537,86
5-4-1957 ..	1,563,57	7,88	1,571,45	117,76	412,52	530,28	34.0	126,20	914,97	1,571,45
12-4-1957 ..	1,574,42	6,62	1,581,04	117,76	412,52	530,28	33.8	125,85	924,90	1,581,04
19-4-1957 ..	1,569,11	12,38	1,581,49	117,76	412,52	530,28	33 8	126,30	924,90	1,581,49

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52* ..	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53* ..	136,40	7,79	52,89	61,93	259,02	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	9,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,53
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,90	19,09
Week Ending														
22-3-1957 ..	53,63	35,15	51,10	74,57	214,45	147,73	372,18	19,59	2,58	125,21	5,81	124,73	80,82	13,45
29-3-1957 ..	64,57	31,95	57,77	74,28	228,56	161,03	399,59	11,95	2,98	114,31	7,65	127,87	121,22	13,61
5-4-1957 ..	60,59	7,90	60,00	74,49	202,98	150,30	363,29	7,98	15,24	112,82	15,65	106,04	91,97	13,57
12-4-1957 ..	53,60	1,54	69,83	74,35	199,32	149,22	358,54	6,71	18,41	104,20	18,74	104,40	92,91	13,18
19-4-1957 ..	51,41	5,56	71,89	74,54	203,40	149,05	362,45	12,53	10,01	99,83	15,17	98,80	112,90	13,29

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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: Demand	Time	Total (2+3)	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
(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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
June 1956 ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
November ,, ..	645,84	457,42	1,103,26	36,36	50,64	7.99	601,41	162,79†	70.24	365,95
December ,, ..	650,85	460,19	1,111,04	36,63	51,06	7.98	611,97	168,62†	71.07	365,11
Week Ending										
22-3-1957 ..	701,09	466,86	1,156,76	36,90	52,34	7.71	711,24	171,33†	76.30	348,09
29-3-1957 ..	708,46	473,16	1,171,42	34,28	54.54	7.58	721,77	176,00†	76.64	347,41
5-4-1957 ..	725,89	480,31	1,196,25	39,44	62,12	8.49	716,19	182,31†	75.11	347,23
12-4-1957 ..	725,85	487,69	1,203,27	38,78	64,06	8.55	716,31	185,96†	74.98	346,01
19-4-1957 ..	732,07	495,66	1,215,76	38,28	69,84	8.89	720,30	181,02†	74.14	345,03

* 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	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(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
1956-57 ..	2,301,84	1,550,47	..	..	..	..
March 1956 ..	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	+43,79
May ,, ..	2,225,97	1,539,66	686,31	675,69	10,61	—2,14
June ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,109,41	1,435,95	673,46	662,92	10,54	—25,51
October ,, ..	2,123,00	1,442,52	680,48	669,64	10,84	+13,59
November ,, ..	2,151,46	1,462,01	689,45	677,99	11,46	+28,46
December ,, ..	2,178,65	1,485,34	693,31	681,35	11,96	+27,19
January 1957 ..	2,220,06*	1,508,40*	711,66*	700,89*	10,77	+41,41*
February ,, ..	2,262,25*	1,527,01*	735,25*	723,45*	11,78	+42,19*
March ,, ..	2,301,84*	1,550,47*	751,37*	739,72*	11,65	+39 59*

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

Source: Monthly Bulletin of Reserve Bank.

CURRENCIES OF METROPOLITAN AREAS

Member	Currency	Par Values In Terms of Gold: Grams of fine gold per currency unit	Par Values In Terms of Gold: Currency units per troy ounce of fine gold	Par Values In Terms of US Dollars: Currency units per US dollar	Par Values In Terms of US Dollars: US cents per currency unit
Argentina	Peso	0.049 370 6	630.000	18.000 0	5.555 56
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	Boliviano	0.004 677 22	6,650.00	190.000	0.526 316
Brazil	Cruzerio	0.048 036 3	647.500	18.500	5.405 41
Burma	Kyat	0.166 621	166.667	4.761 90	21.000 0
Ceylon	Rupee	0.186 621	166.667	4.761 90	21.000 0
Chile	Peso	0.006 078 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	0.158 267	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	12.185 5	0.348 242	287.156
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 17	40.250 0
Finland	Markka	0.003 863 79	8,050.00	230.000	0.434 783
Germany, Federal Republic of	Deutsche Mark	0.211 588	147.000	4.200 00	23.809 5
Gautemala	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 36
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
Israel	Pound	0.433 706	63.000 0	1.300 00	55.555 6
Japan	Yen	0.002 468 53	12,600.0	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 43	45.631 3
Luxembourg	Franc	0.017 773 4	1,760.00	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	181.062	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	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	29.850 7
Yugoslavia	Dinar	0.002 962 20	10,500.0	300.000	0.333 333

Source: International Monetary Fund, March 15, 1957.

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The Apotheosis of the Plan?

)N and reaction on the Budget have been st equal and opposite. The harsh blows d by the Finance Minister in his taxation ls on May 15 have raised throughout the country a powerful political current which, it would appear, cannot now be stayed. Some indication of the force of this current was seen in the meeting of the Congress Parliamentary Party

held last Saturday. That meeting at least technically was *in camera;* more significant is the open attack on these proposals delivered by Rajkumari Amrit Kaur, a Congress Member of the Rajya Sabha and an ex-Minister of the Central Cabinet. The extent to which various parties are vying with one another to protect the "common man" seems to indicate that concessions to public feeling cannot now be withheld. Again, if, as the Finance Minister stated, the taxation that he has imposed is "the least that could be done to save the Plan" it may be taken for granted that the Plan will not be saved.

While public feeling is unanimous that the existing proposals cannot go through, the Prime Minister and the Finance Minister alone have chosen to take a determined line on the fulfilment of the Plan. Since no major modification of the Plan can be made without the Prime Minister's approval, the question has naturally been asked how far the Prime Minister can resist the powerful pressure to reduce expenditure at least this year. It is to be noted that this Plan was not the original Rs. 4,800 crores project which *The Eastern Economist,* in common with many other leading journals in the country, supported as an appropriate follow-on of the first Plan which, in its last three years, seems to have provided a rate of growth of total national income of 3.5 per cent per year. It would appear in the first year of the second Five-Year Plan we have fallen back not a little in this rate of advance. And thus it is appropriate, both by reason of the fact that the original Plan has been substantially changed in financial terms, and its environmet, has for a variety of reasons, not lived up to expectations, that one should recognise that the fulfilment of the Plan today is different, both in substance and in perspective, from what it was twelve months ago. To insist that any Plan, whatever its size, shall be fulfilled whatever the circumstances implies an apotheosis of the Plan which can find no rational explanation.

Over the whole country today, there is growing the belief that the Government has lost its sense of proportion on the Plan. The Plan exists for the people; not the people for the Plan. There is something bordering on religious fanaticism in the Prime Minister's assertion that the Plan must be proceeded with at almost any price. It would appear that in People's China, which theoretically should be more rigid, there is now, as the following article will indicate, greater flexibility in the face of problems akin to our own. The expansion of the public sector at any price in the pursuit of ideas which a monolithic executive Government considers essential has a history as old as the Pyramids of Egypt and as new as Eastern Europe. The Pyramids, too, were great public works executed by Governments with a single mind. For a time they operated to the benefit of the people to whom substantial employment was given. But when the Pharaohs drove the Pyramids beyond the endurance of their people, and the capacity of the economy, they became instruments of terrible tyranny; in the end they demolished themselves and thus ended even Pyramid building, the supreme urge of their mistaken lives.

No Government with the need for accommodating its people dare ignore the lessons of ancient Egypt any more than the lessons of modern Eastern Europe. If, in a totalitarian administration of a kind of which there has been no parallel in the Communist World, excessive Pyramids could not be indefinitely imposed it surely is a great mistake to assume that in a democratic country similar excesses will be permitted. Nor should a cynical future historian ever be allowed to draw a comparison between first Indian dynasty after Independence and the rise and fall of the great Egyptian dynasties; or between the passion for Pyramids and the rapacious appetite we seem to have found for Plans of any and every size.

The Eastern Economist holds the view, which is argued more fully in the Blue Supplement in this issue, that it is a fundamental error to assume that, having conceived a Plan of any given size, one can impose at will any level of taxation required for its fulfilment. It believes that the Finance Minister has erred substantially in not cutting down expenditure as a partial alternative to his drastic taxation proposals. For one thing he will be unable, because of the political opposition that he has raised, to see the taxation proposals through. But even if he could, the disorganisation in the economy, particularly in the corporate sector, would be so great that future production would be substantially affected. If this should happen in respect of consumer goods, the inflationary factors in the economy which remain — and are even to be extended with deficit financing at an all-time peak of Rs. 275 crores — will bring us to a domestic crisis within the calendar year at the same time that we shall be facing a severe foreign exchange crisis from without.

This prospect makes the last week in May critical week in India's history. If the Prime Minister and the Central Government should choose, contrary to all wisdom and public feeling, to persist in their obstinate course, they will be undermining the place of the Congress Party in the political life of the country and will be producing a long-period economic crisis which, in the opinion of *The Eastern Economist,* will be nearly unmanageable. We are poised at this time at a point of no return. It is vital that the country should be warned that there are serious political, as well as economic, dangers that are being run by a level of forced expenditure which cannot now be sustained. For there are limits to human endurance as well as there are to heights of human daring. There may be a few misguided people who are always attracted by the daring of others, having none of their own. But there are multitudes who, even if attracted, will not or cannot share a dire risk. This does not mean that fearful risks should not be run. They must continue to be run in the small area where the daring few can pay almost all the price. The Indian people live too close to the lower limits of endurance to share in the heavy price which the Finance Minister's daring must entail. An appetite for heady wine cannot be created in a day. Perhaps the appetite for a grander Plan at an indefinitely greater cost in human suffering will grow. But it is now not there; we ignore this fact at our peril.

Pause in the People's Republic

THE news this month from the People's Republic of China has a strange, and almost incredible, ring. It would appear that, both on the political and economic front, some cracks have appeared in the smooth and all-too-deceptive surface of Chinese unity. When all was going well — and almost right through 1956 things looked good, particularly in industrial production — the growing tempo of what has now come to be called the "antagonism between popular masses and the leaders" seems to have been held in check. Since January this year, partly as the result of adverse economic circumstances to which reference is made later, events, here and there, suggest that the splendid unity of the People's Republic is giving way to many querulous and, possibly, revolutionary trends. Many party leaders have been seriously disturbed. The Head of the Propaganda Department, Lu Ting-yi, actually wrote last March about "some having fallen into pessimism and despair". If all was going well, as official publications abundantly distributed in India suggest, where was the need for this pessimism and this despair?

Those who have gone carefully through local political and economic reports have chapter and verse to prove that there has been a deep pause in the People's Republic's progress both in political and economic terms. In some areas repression has been redoubled. One report suggests that since 1956 "corrective labour camps have been erected everywhere for vagabonds, as part of the high-tide of socialisation. In the region of Shanghai alone 60,000 people were confined in 1956". On this basis those detained in the whole country might be estimated at about a million. It has been expressly stated that no criminal charge has been made in these cases but the persons are held in detention as "their behaviour might have an unfortunate influence on public security". This is indication enough that a system of forced labour is now in operation on a grand scale.

Strikes and "similar actions" have been frequent recently. Chou Yang, Deputy Head of the Party Central Committee Propaganda Department, recently told foreign correspondents "strikes, demonstrations or similar actions — which were rare in China — can be regarded as a manner where people oppose bureaucracy. No suppression could be permitted in dealing with such action by the people. The Chinese people had the right to demonstrate and strike just as they had the right to free speech and meeting". He failed, however, to explain, why when things were supposed to be going so well and real wages in particuular rising so fast, "the opposition to the bureaucracy" should be growing so rapidly. In this connection a report of a conversation between President Voroshilov and Mr. Chou En-lai has significance. The Chinese Premier is reported to have said: "Forty years ago (May 4, 1919) Peking students broke through the old walls in hostility to the bureaucratic warlords of the time. If we do not amend our bureaucratism, they may break through the walls again."

More complete evidence, perhaps, than any other is contained in a letter from a student, Sun Yu-Shan to Tung Pi-wu, Congress delegate for Hupei, member of the Politbureau and President of the Supreme Court. This is an authenticated document since it was published in April in the *Chinese Youth Daily.* The third, fourth and fifth paragraphs read as follows:

"Since you, Aged One, are the representative of the people of Hupei, I want to talk to you about the problems affecting the lives of the worker and the farmer masses. As all know, living conditions are better than before the Liberation; but even now differentiation is still too marked. In a southern district of Tayeh country one of the better farm workers may get only 250 yuan a year, whereas the higher kanpu (government agents) get a monthly salary of 200-300 yuan, or more. To the kanpu, this difference may not seem great, but to the workers and farmers it seems unreasonable. Last year I spent two days in the workers' residential district at Tayeh Steel Works. The dormitories were cramped and dark, and the roofs were leaking — in Peking and other large cities theatres and movie houses are built in luxurious style. The contrast is painful.

"Last year a worker in Tayeh committed suicide because of the bureaucratic treatment he received from a responsible comrade. In my own village I myself have known many sick people going without medical aid. In one family all the members were sick and there was nobody to open the door.

"We have to take a stand against the principle of equality (of wages) *but now we have lowered unduly the life of ninety per cent of the people and we have raised the life of less than ten per cent too high."*

It would appear that there are some misgivings about the character of political progress, but it would appear that much of the discontent is fundamentally economic. Some details are available in regard to the manner in which cloth production and consumption have recently fallen. So far as consumption per head is concerned it rose steeply from 7.61 Chinese feet per head to 22.14 feet in 1953. In 1954 and 1955 it dropped below 22, though in 1956 it rose to a peak of 29 feet. But there has now been a drop of about 15 per cent. The rationing system which was based on a larger assignment has broken down. Even the peak figure of consumption must be considered inadequate and a leading paper in Peking had this observation to make. "On the basis of present production cotton cloth per man available is inadequate; it is below the 30 Chinese feet per head just enough to make one cotton padded suit or two non-padded suits. It is obviously insufficient to satisfy the clothing needs of the people". It might be added that this is significantly below the average per capita consumption in the Indian Union.

What is true of cloth seems increasingly true about food though, here, the reports are so conflicting that it is very difficult to determine whe-

ther, in point of fact, India is better off than China at the present time. In China there are two sets of figures, one based on targets or estimates quite unrelated to performance, and another — for the most part unofficially compiled -- of total figures by addition of actual performance in each district. Some foreign scholars working on the latter figures have come to the conclusion that Chinese agriculture in the current year has stayed still. It is curious that this is similar to our Indian experience. It may be that seasonal factors both in China and India have overcome the fruit of investment in the last few years. But at any rate the belief that Chinese co-operative farming has already worked wonders is without any adequate proof.

It would seem that both the Indian and the Chinese economic systems have entered on a difficult phase; the period of quick returns, following both on initial enthusiasm and favourable monsoons, has ended. Both systems — and it would appear that totalitarianism has here no advantage over democracy — are encountering some internal resistance. Whereas India has the advantage of free debate between the Government and its critics, China has the extreme difficulty of carrying on a discussion in involved Marxist terms, with peasants who are not, and never will be, interested in Marxism. Even though the character of this artificial intellectual process is different from what it is in the Soviet Union, Chinese persuasion is meeting no better fate.

The situation is full of interest for political, economic and social observers. But for us it should have a ring of tragedy. Have things come to a stage when the two poorest countries in per capita terms are encountering greater difficulties than any other? Let the grand debate on systems wander where it likes. The tragedy is that the hardships of the poorest in the world continue to grow while the hollow debate goes tirelessly on.

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THE WEEK'S NOTES

POINTERS FROM BOMBAY

THE SAMYUKTA MAHARASHTRA SAMITI has won 68 seats against 54 won by the Congress in the recent elections to the 131-member Bombay Municipal Corporation. Obviously, the results indicate that the Congress is losing its hold on the two biggest cities in the country. In Calcutta, earlier the Congress managed to keep its precarious hold over the Corporation due largely to restrictive electorate. In a city of 3,344,839 souls only 194,000 people are eligible to vote. The result must be surely painful to the Congress. Its leadership has emphatically been denying that the linguistic issue has anything to do with its electoral misfortune. No doubt if linguistic passions had been as dominant as the critics maintain, a higher percentage of the voters would have participated in the elections. But it would be obviously wrong for them to presume that most of those who abstained from voting were Congress supporters. However interpreted, the election results show that the Congress has become vulnerable. Now its chief strength seems to lie in the disunity and weakness of its opponents. Where the Opposition has shown even a semblance of unity, the Congress has been reduced to a secondary position.

The Congress defeat does not, however, mean that it has finally been beaten. The municipal elections in 1952, too, had failed to return it in an absolute majority. With only 55 members out of 124, it was able to provide a stable civic administration with the help of a large number of Independents and the Fourth Party. Actually the position of the Congress this time also is not very different. The Samiti, technically the party enjoying an absolute majority, is a strange conglomeration. It consists of Communists, Praja Socialists, Socialists, Hindu Sabhaites and Jan Sanghists. The haggling for seats which marked its pre-election politics, tends to strengthen the belief that the motley crowd may not be able to prove a cohesive team. In the event of not an unlikely split, it will not be surprising if the Congress succeeds in recapturing the reins of office which it has now been forced to yield to the Samiti.

For the country, it may not however be very helpful if the Congress is forced to depend on such artifices. For this will only add to the moral deterioration in the country's politics. The Congress leadership will, therefore, do well to probe into the causes of increasing isolation of its party from the masses and try to reorganize it in such a way as to become once again the embodiment of the wishes, desires and needs of the people. Complacency on its part is bound to be corrosive in effect. Already, the Government of India's crushing texation policy has strained the loyalty of the middle classes, the lynchpin of stability.

POSTPONE IMPLEMENTATION

THE DESHMUKH COMMITTEE has recommended "a phased programme of introduction of the three-year degree course in the country from the 1957-58 academic year" with 50 intermediate and 100 degree colleges. The target of 180 intermediate and 360 degree colleges will be achieved by the end of the period of the second Plan. The Committee has also suggested the upgrading of at least 250 intermediate colleges and re-orientation of 500 degree colleges during the third Plan. The estimated cost of total reconstruction of the Indian educational system will be Rs. 25 crores of which 15 crores will be spent during the second Plan. Of this amount while Rs. 9.9 crores is non-recurring and Rs. 5.1 crores recurring, Rs. 7.5 crores will be contributed by the Union Government and the University Grants Commission, the other half would be made available from the State Governments and private agencies.

The Committee has prepared its report obviously without discussing the merits or the principles underlying the three-year degree course. Influenced by the prevalent fetish which changing the educational system has become with Congress men, it has apparently taken it for granted that its recommendations would be above question. The Committee has also found it expedient to remain silent about the future of those colleges which are neither to be upgraded nor re-oriented. Apparently, they will continue with the old four-year course. The co-existence of two systems and two structural patterns will, thus, be another confusing innovation in the already confused academic situation. Moreover, it is difficult to divine what reasons have prompted the Committee to recommend "gradual reduction of enrolment to 800 to 1,000 students per college". It is hard to believe that the college education has lost its charm for the youth of the country. On the contrary, the number of college-going students is on the increase. The artificial restriction now proposed would seem to have originated in non-academic considerations. The more one thinks about it the more confused one is likely to be.

But even more pertinent objection to reconstruction of the Indian educational system is whether this is at all called for. To waste Rs. 25 crores on a project whose merits are not beyond question is nothing short of a crime when India is in the throes of an acute economic crisis. As it is, the country's economy cannot provide employment to the educated youth. The Planning Commission has estimated that "the size of the problem will remain substantially unchanged during the period of the second Plan" and will continue touching 1.45 million figure. It would, therefore, be wiser and more useful to postpone the implementation of the recommendations of the Deshmukh Committee for the next five years when the question should be examined afresh.

A POINTLESS PROTEST

ON MIDNIGHT of May 14-15, the telegraphists of the Post and Telegraph Department in many parts of the country launched a go-slow strike, which was hurriedly withdrawn five days later. The dislocation of telegraphic communication caused by the strike can be judged from the fact that in some places it reduced the clearance of telegrams to nearly a third, necessitating the disposal of ordinary telegrams by airmail. The various statements issued by the union officials in defence of the strike cannot for a moment obscure the basic fact that the strike was as pointless as it was improper. It was patently wrong on the part of the telegraphists to resort to pressure tactics when their demand for the appointment of a committee to inquire into the working of the telegraph department had already been conceded; the Union Minister for Communications had besides promised to consider their other demands sympathetically, "within the Government's financial limits".

These demands pertained to an increase in dearness allowance, its merger into the basic pay and revision of pension rules in consonance with the increased cost of

living. Obviously, the acceptance of these demands cannot but force the Government to extend the benefits claimed by other public servants also. Such a course will inevitably have deeper repurcussions forcing the Government either to increase the volume and rate of taxation or resort to deficit financing. The former course will be unwise politically, being intolerable to the people at large, the latter will be disastrous for the country's already strained economy.

As for the strikers' demand for cancellation of the results of a test held by the Government it is clear that it is unreasonable, if not absurd. Equally absurd is their ingenious justification for the strike, that they were working in accordance with the "rules laid down by the Posts and Telegraphs Department itself". Correct though this may be technically, it cannot convincingly explain the extreme course resorted to by the telegraphists totally unmindful of the inconvenience caused to the public. The real reason for the go-slow strike, it would seem, as a spokesman of their Federation himself admitted, was "to make sure that their pending demands would be met". In other words, having won their demand for the appointment of an inquiry committee, the strikers wanted to influence its deliberations and findings also.

At the same time it is to be regretted that the Ministry concerned had not cared to settle the long-standing dispute, until its employees forced its hands by the present demonstration of their strength and determination. This is a serious administrative failure.

THINKING IN A CIRCLE

THOSE WHO had expected that with the formation of a Communist Government in Kerala the Party would eschew recklessness and become realistic in its thinking are likely to be disappointed over the resolutions of the Central Committee of the Party which met recently in New Delhi for the first time after the last General Elections. A week's deliberations behind closed doors carried the Committee to the conclusion that the Indian taxation system was "unjust, extortionate and reprehensible in the economic conditions of today". But at the same time it demanded "the speediest fulfilment of all targets of the second Plan" and expansion of the public sector. The Central Committee evidently did not see any connection between a hard taxation policy and the fulfilment of the targets. The Committee has also demanded the "immediate nationalization of certain foreign-owned industries". It does not seem, again, to have entered the minds of the members of that august body that these funds would have to be raised by an even more ruthless recourse to "unjust and extortionate taxes"—or to deficit financing which in actual practice means the same thing. In short, the Communists have condemned the very measures which are essential for the implementation of the policy they advocate. It is only common sense, that if the funds could be raised, it would be better to raise them and utilize them for narrowing the gap in the resources and financial needs of the Plan.

The same curious pattern of thinking is discernible in the Central Committee's approach to the problem of nuclear tests. While expressing "grave concern", it has not uttered a single syllable in criticism of Russia which has exploded the maximum number of atomic bombs in recent months. On the contrary, the Committee has welcomed Russia's "efforts" in trying to reach an agreement with Western Powers to ban the nuclear weapons and suspend the atomic tests.

More significant than all this is, however, the decision of the Central Committee to "double" the Party's membership of 125,000 before the year runs out. To achieve this objective it has decided to scrap the conspiratorial organization of the Party based on "cells". The cell, "based upon the factory or place of work", will give place to "a ward or a number of wards in the urban areas, or to a village or group of villages in rural areas, or to a factory or mine". The upper limit of cell's membership of 15 will remain; the present structure of the Party will remain, and "democratic centralism" will continue to determine its working. Thus, only the "cell" will be known as a "branch" from now onward. As Shakespeare so pertinently asked, What's in a name....?

TRADE WITH CHINA

THE RIFT between the two Atlantic Powers, Britain and the United States, over trade with China has been partly bridged. The differences between the two arose out of Britain's desire and America's opposition to lifting the embargo on it. The embargo was imposed during the Korean war and was relaxed after it ended. Those half-hearted measures have however given rise to a somewhat flourishing clandestine trade with Red China. While some of the British goods are routed to Communist China through Hong Kong, a large volume of American goods finds its way there through Japan which has recently concluded a trade treaty with Peking in a bid to capture the Chinese market. The position of Britain and of the United States, though diametrically opposed, is understandable. While the former wants to secure a relatively less competitive market for its goods, the United States does not want to give any succour to Communist China which is passing through severe crisis due to the economic consequences of re-Stalinization in Russia. The relaxation of embargo will, the United States rightly feels, run counter to its policy of strengthening the free world's defences. Only recently it had decided to arm Nationalist China's forces in Formosa with guided missiles capable of carrying atomic war-heads. The Nationalist Chinese, with the help of these missiles, now can, if necessary, penetrate 500 miles into the Chinese mainland.

The only possible solution of the differences was what has now been agreed upon by the two allies. According to the new understanding Britain has been allowed to relax trade embargo against Communist China in such non-strategic items in which it is already dealing with other Communist countries. This relaxation, though not to the extent it would like, should satisfy Britain. In the struggle against the forces of totalitarianism, the interest of no country can be precedent to that of the free world. The news of understanding between the two leading most members of the democratic alliance is particularly welcome. It should go some way to promote conviction that it is not America's cussedness but plain duty of all free countries that demands circumspection in dealings with the Communist world.

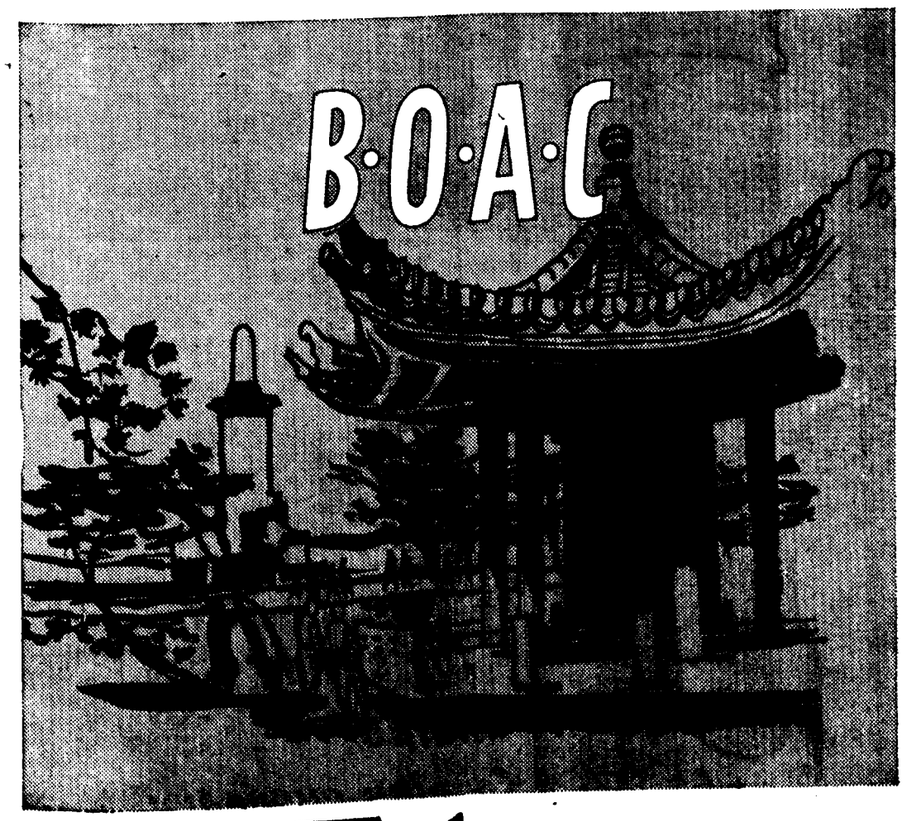
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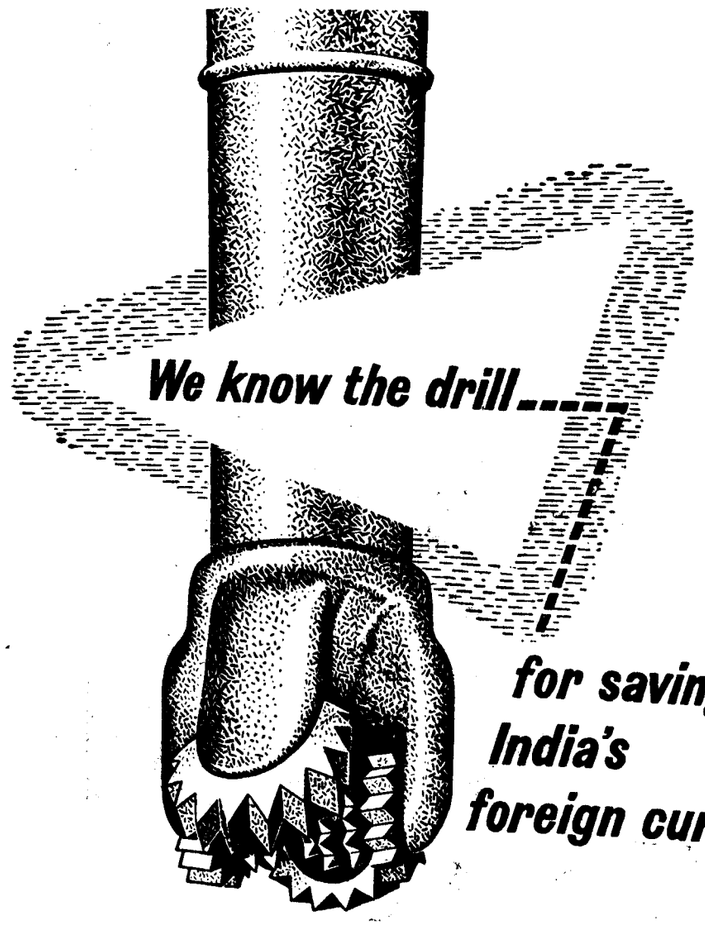
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A Window on the World

INTRODUCTION TO INDIA—III

By

ODYSSEUS

SARVODAYA, the word used by Mahatma Gandhi to describe his ideal social order, is usually dismissed by foreigners as too mystical and impractical to need bothering about. Like most social movements, it is made up of many strands, some of which are contradictory and others of which, I concede, do not seem practical, but that does not mean that the movement can be disregarded as having nothing to contribute. The basic point to realise about Sarvodaya is that it offers the only reasoned, progressive Left-wing criticism of the socialist welfare state. Whereas the orthodox socialist envisages a state in which the citizen is looked after from birth to death, making him in K. G. Mashruwala's memorable words "an A, B, or C class prisoner of the state under the outward semblance of democracy (and the USSR also regards itself as a democracy of its own type), it is much better to live as we have lived from the birth of humanity until now, in some sort of hard struggle for existence than be just comfortable well kept animals". Sarvodaya is unique among political philosophies in the world today in that it is preaching self-help to the masses, warning them that they cannot hope to get something for nothing.

A popular and sympathetic outline of the Bhoodan (land-gift) aspect of Sarvodaya is to be found in Hallam Tennyson's "Saint on the March" (Gollancz. 1955), an excellent piece of descriptive writing and reporting, if a largely uncritical presentation of Bhoodan ethics and economics. For a critical appreciation of these, see this column: "The Economics of Bhoodan" (June 3, 1955), "Saint on the March" (June 10, 1955), and "My Economics and Vinobaji's Ethics" (June 17, 1955). But far and away the best analysis of Sarvodaya occurs in the pages of "Indian Approaches to a Socialist Society", published by the Institute of International Studies, Berkely University, California, in 1956, edited by M. W. Fisher and J. V. Bondurant, who bring out well the contrast in methods and aims between orthodox and Gandhian socialism.

THE COMMUNISTS AND THE R.S.S.

From the anti-totalitarian, anti-bureaucratic Sarvodayans, we may turn to totalitarians of the Left and Right. If there are any who still think that there would be no harm in forming a Popular Front with the Communists, they had better read M. R. Masani's well-documented, factual reporting in "The Communist Party of India" (Verschoyle. London. 1954). Whether the R.S.S. (Rashtriya Swayamsewak Sangh) have any political future, I do not know, but J. A. Curran's study of the rise of the movement—"Militant Hinduism in Indian Politics: A Study of the R.S.S."—is a collector's piece for those who like plumbing the obscurer by-ways of politics.

That we need have no serious fears lest the R.S.S. capture power in India is the moral that seems to emerge from "Parliament in India" (Longmans. 1947) by W. H. Morris-Jones. This book is what its publishers claim that it is, a major contribution to the literature on contemporary India, as well as to the study of political processes. I need not elaborate on this since I wrote about it at length on March 15 and 29 of this year.

Parliamentary government calls to mind democracy and education, and I call attention to "India, Democracy and Education" (Orient Longmans, 1955) by Jossleyn Hennessy. This is a study of the work of the Birla Education Trust, but the third chapter, which sets the Trust's work in the perspective of India's educational problems as a whole, analyses the causes of student indiscipline and shows the relation between education, good citizenship, and a smoothly working democratic regime, explains why so many teachers, responsible for the future generation in India, have Communist inclinations, and suggests what could be done about this.

What with the technical experts of the Colombo Plan and foreign aid generally, there is a stream of foreigners anxious to help India to lift herself up by her chupli-straps. All of them are welcome, but some would find their life in India easier and more profitable if they were to read "Fifty Years of Technical Assistance" (Public Administration Clearing House, Chicago. 1954) which collates the accumulated wisdom of some veteran field workers on how to carry out technical assistance programmes effectively without harming psychologically the people assisted.

The best expositions of India's foreign policy are to be found in the speeches of Pandit Nehru. The usefulness of the bound volumes of the Prime Minister's collected speeches, which the Publications Division of the Government of India's Ministry of Information and Broadcasting publishes periodically, is unfortunately seriously diminished by the absence of a comprehensive and detailed subjects index.

A sympathetic, stimulating, and valuable outside observer's exposition and assessment of India's foreign policy is to be found in "Free India in Asia" by Professor Werner Levi (Minneapolis University, 1952) the index to which is, incidentally, a model of its kind which could be studied with profit by the New Delhi Publications Division.

INDIA'S SPIRITUAL TREASURES

And now let us turn away from the crowding problems of the contemporary world and seek consolation among India's spiritual treasures.

As the old hands who have frequented this column over the years are aware, I am interested in Bharata Natya, Tanjore's great classical dance, and in Kathakali the wonderful dance drama of Malabar. But you do not need to be an addict to enjoy Beryl de Zoete's "The Other Mind" (Gollancz. 1953), with its 120 beautiful photographs, because it is as much a fascinating study of South Indian life and folk-lore and a sensitively written travelogue around Madras and Kerala, as it is of dancing. I add that many Indians could read it with profit as well as pleasure, because the degree of popular understanding of Indian classical dancing may be guaged by the fact that when the topic crops up, most people mention Uday Shankar. I yield to none in my enjoyment of this modern master but I insist that his art has but the echo of a connexion with India's classical dances. Miss de Zoete, who is the

glossiest of Blue-stockings, carries her learning modestly and conveys her own joy in out of the way discoveries. "Kathakali" (Luzac. 1956) by K. Bharatha Iyer, amplifies and extends Miss de Zoete's book. With the breaking down of the traditional modes of life in Kerala, Kathakali is ceasing to be a living art. These two books will help you to enjoy the art while yet dancers remain who dance it as part of their lives. For the connoisseur, I cite "Tanda-Laksanam" (G.S. Press. Madras. 1936) by Naidu and Pantulu. This contains photographs of the 108 karanas sculptured on the pillars of Holy Chidambaram, which establish that Bharata Natya is at least 1,300 years old. But this book is hardly for a beginner. A charming book which may sometimes still be found in second hand shops is G. Venkatachalam's "Dance in India" (Nalanda Publications. Bombay).

For an introduction to Indian painting, try G. W. Archer's "Indian Painting in the Punjab Hills' (H.M. Stationary Office. 1952).

In the course of an interesting review of "The Principal Upanishads" edited by S. Radhakrishnan, (Allen and Unwin. 1954) 'The Times' (of London) Literary Supplement of June 25, 1954, observed that there are two reasons why the meaning of the Upanishads is difficult for Western readers to grasp. They are the world's earliest known philosophical compositions, flowering in the minds of their anonymous authors between 800 and 300 BC. But their philosophy is that of seers, not of thinkers in the specialised Western sense of the word. They are the fruit of contemplation, though a speculative element is to be found in some of them, and they are meant for contemplation. To regard them as a branch of philosophical idealism is to miss the reality which they reveal. That reality was not merely a problem of thought but was grounded in spiritual experience at all levels, from simple prayer to ultimate illumination. We are, in fact, in the presence of metaphysical poets rather than of logical thinkers, poets for whom the Real was not abstract but eternally alive in the human heart.

The second barrier for Western readers is that of translation. A sensitive translator, Mr. John Mascaro, says: "If Sanskrit could find a group of translators with the same feeling for beauty of language and love for the sacred texts in the original as the Bible found in England, eternal treasures of old wisdom and poetry would enrich the times of today." Unfortunately, the possibility seems unlikely and is in any case almost prohibited by the difficulty of communicating in English the sensitive subtlety of the Sanskrit. But at least in the avoidance of gross distortions there has been a great advance. How, then, does S. Radhakrishnan's edition meet these two difficulties? He would seem ideally qualified to expound and to render this bible of India. His own philosophy is rooted in it and has at the same time critically assimilated Western thought. That this, however, is not wholly an advantage is felt at times in his long expository introduction, when his own fluent philosophical disposition tends to overlay the immediate truths which he is interpreting. But he is informative about the historical background and about the various out-workings over the centuries of the fundamental conceptions which form their essential teaching. More valuable are the copious notes which draw upon such commentaries as Sankara's or, for comparison, on Western and Christian sources.

I conclude by reminding you that these three articles are not offered as an exhaustive reading list but as a supplement to my original Introduction to India series published here on May 23 and December 12, 1952, and January 8 and 16, 1953.

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SOVIET POLICY IN EUROPE

(From Our Special West European Correspondent)

PARIS, May 18.

SIX months ago Soviet Russia was very much on the diplomatic defensive in Europe, having suffered one reverse after another from Poznan to Budapest, while she was on the offensive in the Middle East, consolidating her influence in Egypt, Syria and Jordan. Today the situation is the opposite. In the Middle East, where she now faces not the divided and discredited imperialism of Britain and France but the united power of the USA's Sixth Fleet and Mr. Richards' bag of dollars, Soviet influence has been limited and isolated. Russia cannot meet this opposition, as she did with the British and French, by threatening to sprinkle her adversary with atomic missiles. Threats of that sort cannot be offered to the USA. So M. Gromyko has simply had to put in reverse gear the machine constructed by M. Shepilov for the first major Russian venture into the Middle East. Admittedly, the retreat can be regarded in Moscow as temporary, for the USA is still backing the same unpopular ruling forces as the French and British supported so long in this region, and it is not only Communists who think that in the long run the West has chosen the losing side.

But this retreat in the Middle East has been compensated for by a return to the diplomatic offensive in Europe. Here the main objectives of Russian policy have been first to repair the cracks in the East European alliance, second to live down the disgrace of Hungary, and third to intimidate the USA's West European allies into "atomic neutrality". It is the latter campaign that has been most developed and we can expect to see it much intensified between now and September, when the West German elections are to be held.

The first aim has been fully encompassed. The repression in Hungary has been total, the example of Budapest has found no imitators, the Warsaw Pact has suffered no defections, not even Poland's, and with the aid of Mr. Chou En-lai the Communist bloc has been able to restore a semblance of unity. Western commentators make much of the fact that it is now proven that this apparent unity would be worth nothing in the event of a European war, because it is clear that the Soviet outposts in East Europe would be a liability rather than an asset in an open struggle with the West. That is no doubt true but it would be of importance only in the actual event of war — and one of the lessons of Hungary is precisely that the West is not prepared to make war in order to liberate East Europe. Meantime, a half-hearted semblance of unity during peacetime is more important diplomatically to Russia than probable defections in an improbable war.

The second aim, living down the moral defeat in Hungary, has so far met with no success in Europe. Though Soviet leaders can tour India, Indonesia, Indo-China and China, they cannot set foot in West Europe. Apart from a trip to Helsinki and an exchange of formal amenities with neutral Austria, the Russian diplomatic isolation in Europe remains complete, and this is no doubt galling for Messrs Bulganin and Khrushchev who had hoped to continue and extend the series of triumphal tours and receptions that began with the London visit and Guy Mollet's trip to Moscow. But by quietly serving their time in quarantine, the Soviet leaders can reasonably hope to emerge from this isolation sooner or later. Only time can heal the damage done in the West by the intervention in Budapest, but time will surely heal it, at least to the extent of permitting a resumption of superficially polite relations such as ruled at the time of the London visit. Moscow seems willing to assist this process by allowing some freedom of expression in Russia itself and considerable freedom of movement to the new regime in Poland, hoping thus to prove that Hungary was simply an accident in the work of destalinisation rather than a return to Stalinist methods. It is difficult to get any non-Communist delegations or notables to make the visit to Moscow just yet, but it is remarkable that those few who have consented to go have been permitted to discuss Hungary freely with non-official Russians and that these latter have been permitted to express frankly the opinions that Budapest was a much dirtier business than Suez, that the Hungarian revolt was not a fascist plot, that it was not organised by the West, that the Russians had to shoot down workers and children and that the Russians are generally hated in Communist East Europe — but that the repression was nevertheless a painful necessity for Russian security. This frankness has been widely and favourably noticed in West Europe and may be a first step to "living down Budapest".

Finally, there is the Russian campaign of combined intimidation and blandishment directed at the NATO powers in West Europe, consisting of notes pointing out the advantages of neutrality of the Austrian or Finnish variety and concluding with the threat that the Continent would be transformed into a vast cemetery in the event of atomic war. The pretext for these notes is the supposed intention of the USA to equip its West European allies with atomic weapons. But this is mere pretext, for Moscow knows quite well that American atomic weapons have been stored in West Europe for some years past; current NATO plans entail no new or sudden increase in the danger for Russia. What is new is the growing anxiety in Europe about the dangers of atomic radiations, and it is this that the Russians are seeking to exploit; hence the theatrical and propagandist tone of Russian references to the subject. Outside of West Germany, this campaign has so far made very little impression; indeed at the recent NATO conference in Bonn it was evident that the Russian threats had had the contrary effect of reinforcing the solidarity of the alliance, especially among the smaller Nordic nations.

West Germany is a special case, and would be even if elections were not scheduled for the autumn. As it is, Russia is willing to devote much energy to securing the defeat of Konrad Adenauer,. Not that the West German social-democrats, who might replace Adenauer's coalition, are in the least pro-Communist; on the contrary, their antipathy for the East German Communist regime could

not be exceeded by the Right. But they would oppose the conversion of the West German army into an atomic force, and since armies today are necessarily equipped with atomic weapons if they are to matter at all, this would be the first serious breach in the Atlantic alliance. Determined Russian diplomatic intervention can be expected throughout this summer with the aim of influencing the elections to the Bundestag, and in fact whatever the ostensible subject of Russian demarches henceforth, they should be evaluated in terms of their possible effect in West Germany.

The Russian campaign against the Adenauer coalition is assisted, curiously enough, from Washington, and the most serious threats to Dr. Adenauer come from circles close to President Eisenhower, particularly from Mr. Stassen. This is because Dr. Adenauer's whole policy is founded on using the powerful NATO alliance as a bargaining counter in negotiations for the reunification of Germany, and any suggestion that the least measure of disarmament can be negotiated with the Russians before Germany is reunited necessarily knocks the bottom out of his programme. Such suggestions do repeatedly arise in Washington and though they are disavowed by the Administration it is no secret that some variation of the Radford, Eden or Stassen plans is constantly under scrutiny there. The latest is the suggestion for a trial zone of disarmament in Central Europe, which naturally means mainly Germany, and reports of this proposal have just caused another crisis in U.S.-German relations.

It is in this context that Mr. Khrushchev is an interview with the "New York Times", has just made an offer that that newspaper interprets as a direct suggestion to the USA for a new two-power Yalta, a division of the world between Russia and America such as was foreseen as a danger in West Europe just one year ago. This danger has been largely forgotten in Europe since the events in Egypt and Hungary, because it was felt that even if American and Russian strategists were inclining to some such view last year, the renewal of antagonism between the power blocs has made its materialisation impossible. That Mr. Khrushchev should seek to rehabilitate it now can only mean that he has in mind the particular case of Germany and that he is suggesting a continuation of the division of that country combined with its neutralisation, i.e. that Washington should leave Dr. Adenauer in the lurch. No more general application of the doctrine could possibly be acceptable to American opinion so soon after the demonstration that Russian hegemony over "its" half of the world is not something to be accepted fatalistically but something that could collapse at any time, as it collapsed temporarily last autumn in Hungary.

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WORLDGRAM

AGRICULTURE

Agricultural Credit Co-operative Societies: In the three years 1953-54 to 1955-56, the number of agricultural credit co-operative societies rose from 1,11,623 to 1,59,939 (increase of 43 per cent); the number of members rose from 5.13 million to 7.79 million (increase of 52 per cent); working capital rose from Rs. 49.18 crores to Rs. 79.1 crores (increase of 61 per cent); paid up share Capital from Rs. 9.9 crores to Rs. 16.8 crores (increase of 70 per cent), and investments and assets from Rs. 8.9 crores to Rs. 16.9 crores (increase of 90 per cent). Increase in share capital, working capital and investments and assets were proportionately larger than increases in membership. A large proportion of the societies, members etc., added in the years 1953-54 to 1955-56 were in N.E.S. and Community Project areas. These results have been secured though the N.E.S. movement which had covered only 83,300 villages by October 1955 and it had not devoted in the early years the concentrated attention to agricultural production and co-operation which it is now devoting.

*

Study of Plant and Animal Breeding: Plant and animal breeding will be the main topic of discussion at a two-day Research Workers' Conference, opening in New Delhi shortly. The Conference will have three committees—each committee discussing plant breeding and genetics, animal breeding and genetics, and problems of common interest to plant and animal geneticsts respectively. The meetings have been so arranged as to enable research workers of one committee to have the opportunity of taking part in the discussions of the other committees. Delegates nominated by State Government and representatives of Central commodity committees and research and educational institutions have been invited to attend the Conference. In plant breeding, evolution of improved strains of major crop plants, such as cereals, fibre crops, oilseeds, vegetables and sugarcane, will be discussed. Animal breeding and genetics will include a study of the influence of climate on the health and productivity of livestock. In addition, a survey will be made of the present position regarding fodder resources and the scope for improvement of fodder grasses and legumes. The relative utility of some modern techniques, such as exploitation of hybrid varieties and scope for co-operation between plant and animal geneticists, will also be discussed.

INDUSTRY

Industrial Production in Yugoslavia: According to data released by the Federal Statistical Office, industrial production in the first quarter of this year was 21 per cent greater than in the same period of last year. The volume of production in this period was 15 per cent greater than the average monthly output last year. The greatest increases were recorded in the production of electric appliances—45 per cent, crude oil—44 per cent, heavy engineering—36 per cent, electric power and rubber goods—28 per cent, chemicals—25 per cent, timber and printed matter—23 per cent, textiles and non-ferrous metals—22 per cent, etc. Very important for the balancing of supply and demand and for the raising of the standard of living were the increases made in consumer goods production, including, as shown above, textiles, electric appliances and metal goods.

*

Consultancy Services for Neiveli Lignite Project: An agreement for expert consultancy services in respect of the mining scheme of the integrated Neiveli Lignite Project with a British firm was executed recently. The cost of consultancy services over a period of 3½ years would amount to about Rs. 40 lakhs. The integrated Neiveli Lignite Project comprises among other schemes the mechanised open-cast mining of about 3.5 million tons of lignite per annum at an estimated cost of Rs. 16.90 crores. The services of Messrs. Powell Defferyn were originally obtained as technical consultants under the Colombo Plan in 1954 for drawing up proposals for the mining, utilisation and processing of South Arcot lignite.

*

Standard for Valve Grinding Paste: The Indian Standards Institution has published an Indian standard specification for valve grinding paste. The standard, which covers the usual type of silicon carbide suspended in a mineral base, prescribes the requirements for three grades of the material, namely coarse, medium and fine, used for grinding internal combustion engine valves. The standard specifies the grain size for the different grades and also the quality of the vehicles used for suspending the abrasive. Copies of this standard can be had from the Indian Standards Institution, 19, University Road, Delhi-8 and its branch offices at 40/40A Cawasji Patel St., Fort, Bombay and P-11 Mission Row Extension, Calcutta-1.

*

Optical Glass Plant: A preliminary project report on the manufacture of optical and ophthalmic glass in India, prepared by a Soviet team of experts, is being examined by the Government of India. The team recently visited this country at the invitation of the Government of India and made an extensive tour.

*

Small Industries in Okhla Industrial Estate: Twenty-five different types of industries, ranging from bicycles to safety razor blades and machine tools to pins and clips, are being established in the Okhla Industrial Estate near the Capital. With the establishment of these industries, it is expected that about 1,200 people will find employment. Effort has been made to include a large variety of industries in this 40-acre estate. The National Small Industries Corporation received about 145 applications from small entrepreneurs for setting up industries in the estate. The largest number wanted to manufacture bicycles and bicycle parts and electrical goods—an indication of their great demand in the country. The second largest number of applications were for making machine tools and machine parts, castings and foundry works, agricultural implements, sewing machine parts, buttons and fastners, umbrellas and electrical wiring. In the selection of applicants the Corporation gave due emphasis to the establishment of light engineering industries. Care was taken to avoid concentration of any particular type of industry which would result in wasteful competition. In the 35 factories constructed in the estate about 25 different types of industries will thus be established. In some cases, however, more than one factory has been permitted to set up the same type of manufacture although the components to be produced will be different. For example, three factories will manufacture electric wires, four bicycles and bicycle parts and two each automobile accessories, buttons and castings. Some of the other items that will be manufactured in the Estate will be sanitary fittings and surgical instruments, fire extinguishers and electrical machines, umbrella ribs and steel doors and windows, steel furniture and blowers and furnaces.

TRADE

Trade with Soviet Union: In a written reply to a question by Shri D. C. Sharma in the Lok Sabha, Shri Morarji Desai, Minister for Commerce and Industry,

revealed recently that the total value of India's exports to the Soviet Union during the first nine months of 1956-57 was Rs. 10.94 crores. During the same period India imported goods worth Rs. 10.80 crores from the USSR. Replying to another question by the same Member, Shri Desai said that the State Trading Corporation of India had entered into an agreement with the Soviet Union for the supply of tobacco. The exports were being arranged through the Tobacco Export Promotion Council.

*

Three More Export Promotion Councils: Replying to a question by Shri M. Valiulla in the Rajya Sabha, the Minister for Commerce, Shri Nityanand Kanungo, said that Government proposed to sponsor the formation of three more Export Promotion Councils—for Shellac, Sports Goods and Chemical and Allied Products. Shri Kanungo said that already eight Export Promotion Councils had been formed. These were for Cotton Textiles, Silk and Rayon Textiles, Plastics, Engineering Goods, Cashew and Pepper, Tobacco, Mica and Leather.

*

Traffic Handled By Calcutta Port: The total traffic handled by Calcutta Port during the first half of April, 1957, amounted to 309,783 tons of which imports were 139,210 tons. Amongst exports, ores accounted for 41,873 tons. The imports of food grains at the Port during the period totalled 50,187 tons and steel 26,046 tons. The number of vessels which entered the Port during the first half of April, 1957, was fifty-nine.

*

Protection for Stearic Acid Industry: The Tariff Commission has prepared questionnaires for producers, importers and consumers in connection with its inquiry into the question of continuance of protection to the stearic acid, and oleic acid industry beyond December 31, 1957. Copies of the questionnaires may be obtained from the Secretary, Tariff Commission, Central Government Office Building, 3rd Floor, Queen's Road, Bombay-1. When requests for copies of questionnaires are made, the interest represented, i.e. whether the party is a producer, importer or consumer should be specified.

FINANCE

Technical Aid Programme: The funds for the Technical Aid Programme of the United Nations and its specialised agencies are contributed every year by the participating countries on a voluntary basis. For the year 1957, the highest amounts were given by the United States of America: $15,500,000; the United Kingdom: $2,240,000; and canada: $2,000,000.

A calculation in dollar cents per capita shows however the following comparison:

Canada	13.2 cents
Denmark	13.0 ,,
Norway	11.2 ,,
Sweden	9.6 ,,
United States	9.5 ,,
Netherlands	8.2 ,,
New Zealand	8.0 ,,
Switzerland	7.1 ,,

*

Compensation to Displaced Claimants: Over Rs. 53.72 crores were paid as compensation to displaced claimants from West Pakistan up to the end of March, 1957. Out of this sum, over Rs. 33.76 crores were paid in cash, Rs. 11.65 crores by transfer of property and Rs. 8.31 crores by adjustment of public dues. During the month of March alone, about Rs. 3.20 crores were paid in compensation — over Rs. 2 crores in cash, over Rs. 70 lakhs by transfer of property and about Rs. 41.63 lakhs by adjustment of public dues. During the same month, over Rs. 1 crore were paid in compensation by the Central Ministry of Rehabilitation in the Lucknow region. Out of this sum, Rs. 78.52 lakhs were paid in cash, Rs. 18.81 lakhs by transfer of property and Rs. 6.60 lakhs by adjustment of public dues.

*

World Bank Loans to Private Industrial Concerns: In a written reply to Shri Valiulla in the Rajya Sabha Shri T. T. Krishnamachari, the Minister for Finance stated that the World Bank had so far granted loans to four private industrial concerns in India. The amount of the loans given to each concern was:

i) Tata Iron and Steel Company Ltd. ..	$75 million
ii) Tata Hydro Agencies Ltd.	$16.2 million
iii) Indian Iron & Steel Company Ltd. .. (Comprising of two loans of $31.5 million and $20 million respectively).	$51.5 million
iv) Industrial Credit and Investment Corporation of India	$10 million

GENERAL

Optimum Handling Capacity of Madras Port: The optimum handling capacity of the Port of Madras was of the order of 1.75 million tons per year, but the Port had been required to handle as much as 2 to 2½ million tons per year ever since 1950. Though the Port had been working on three shifts to handle this additional cargo beyond its capacity, certain amount of delay to ships had been inevitable. A project for increasing the number of quay berths from 9 to 17 had been sanctioned. The construction of two of these berths is in progress.

*

Houses for Colliery Workers: The Union Deputy Minister for Labour, Shri Abid Ali, said in reply to a question by Shri T. B. Vittal Rao in Lok Sabha recently that 4,724 houses for colliery workers had been constructed till the end of April 1957. These were built either directly by the Coal Mines Labour Welfare Fund Organisation or under the Subsidy and Subsidy-cum-loan schemes.

*

Supply of Turbo Drilling Equipment from U.S.S.R.: A supplementary agreement for the supply of turbo drilling equipment from the U.S.S.R. has been signed. The agreement modifies an earlier agreement executed in May 1956 for the supply of conventional rotary type drills along with geophysical and seismic equipment at a cost of Rs. 1 crore and 34 lakhs. Under the present agreement, the U.S.S.R. will supply drilling rigs designed for forced turbine and rotary drilling of oil and gas prospecting up to a depth of nearly 16,000 feet. The modification involves an additional expenditure of Rs. 20 lakhs and covers the supply of cementing and additional workshop units also. The first consignment of equipment is expected to be delivered this month, the second by October 1957, and the third by December this year.

*

Machinery Used on River Valley Projects: The Government of India have decided to standardise certain categories of machinery used on river valley projects on the recommendations of the Standing Committee constituted for the purpose. The categories of the machines and the number of makes standardised respectively are: Crawler Tractors (above 60 H.P.), 3; Rubber-tyred Tractor Dozers, 1; Scrapers Motorised, 4; Scrappers towed (above 6 cubic yards capacity), 3; Bottom Dumpers (above 12 cubic yards capacity), 3; Rear or side Dumpers (above 6½ cubic yards capacity), 2; Rear or side Dumpers (small — up to 6½ cubic yards capacity), 4; Excavators, 5; Graders (above 75 H.P.), 3; and Loaders, 1.

NEWS IN BRIEF

INDIAN

The Union Government have decided to set up a high powered Committee to investigate fully into the causes for rise in food grain prices.

*

The Indian Standards Institution has circulated for eliciting comments, a draft Indian standard specification for swage blocks and stands which are generally used for heading bolts and swaging bars.

*

The Railway Board has given its approval to a scheme for the re-modelling of the railway yard at Jaipur, on the Western Railway, at estimated cost of nearly Rs. 55 lakhs.

*

The Government of India have set up an 'ad hoc' Committee to consider such amendments to the Companies Act, 1956, as may be found essential to remove defects or deficiencies in its working.

*

The Government of India have suggested a large industrial unit, registered under the Industries (Development and Regulation Act), to foster collaboration with small-scale industries so that small units can grow up as ancillaries to large factories.

*

The Government of India has approved the establishment of regional laboratories in Madras, Kerala, and Bihar States under the scheme for the development of Public Health Laboratory Services formulated by the State governments.

*

The Railway Board has authorised the South Eastern Railway to carry out the preliminary engineering and final location survey for a railway siding from Birmitrapur to Hathibari with an alternative route from Kumaramunda to Hathibari.

*

The Railway Minister, Mr. Jagjivan Ram has announced that supplementary charge on goods and parcels traffic would be doubled from July 1.

*

The Government of India have released a further quantity of 1.64 lakh tons sugar for free sale in the country, the Ministry of Food and Agriculture announced.

*

The Joint Chief Controller of Imports, Bombay, has announced that inter-mill sales of imported cotton will not be allowed except with the permission of the Central Government.

*

To regulate supply of chemical fertilizers of the prescribed standard to the cultivators at fair prices, the Government of India have promulgated the Fertilizer (Control) Order, 1957.

*

The Minister for Industry, Shri Manubhai Shah, revealed in the Rajya Sabha that the Government of India had earmarked Rs. 4.3 lakhs to be spent by the Coir Board during 1957-58 for promoting the sales of coir goods within the country and abroad.

FOREIGN

The external assets of Ceylon fell by a further Rs. 26.8 million and stood at Rs. 1,126.3 million at the end of March. This is the fifth successive month in which the external assets have declined. Over the first quarter of 1957 they fell by Rs. 53 million.

*

South Africa's total gold and foreign assets in the week ended May 3 totalled £128,108,000 compared with £132,034,000 a week earlier. The latest total comprised £83,068,000 in gold coin and bullion, £33,865,000 in foreign bills, £6,707,000 in foreign securities and £4,463,000 in other foreign assets.

*

It is reported Japanese industrialists have launched a five year research and development programme, subsidised by the Government, leading to the production of commercial aircraft.

*

The World Bank has granted a loan of $4,200,000 (about Rs. 2,00,00,000) to the Pakistan Industrial Credit Investment Corporation and the agreement in this regard is to be signed in a few days.

*

The number of employed persons in the US will rise to a record 68 millions this year, half a million more than the present record set last year. Employment reached 64.3 million in mid-April. This exceeds the employment total in mid-April last year by more than 300,000.

*

World Jute production in 1956 is estimated at 4,651 million lbs., as compared with 4,477 million lbs. in 1955, according to 'Foreign Agriculture' a monthly publication of the US Department of Agriculture.

*

The International Committee of the National Planning Association of the US, a non-political organisation devoted to planning in economic and other fields, has recommended the establishment of a new Government Corporation with an initial capital of at least $1,000 million to handle economic aid.

*

According to the Cotton Board figures, production of cotton and mixture clothes by the Lancashire weaving industry improved by about 80,000 yards per week during March.

*

It is reported the United Nations Economic Commission for Europe will in future act as a "clearing house" for interested Governments to arrange multilateral compensation of balances arising under their East-West trade and payments agreements.

*

The Ghana Government has granted permission to an American group to make a rapid survey of the Volta River Hydro Project.

*

It is reported Australian exports to India and Ceylon are expected to rise by £A3 million in 1958-59.

*

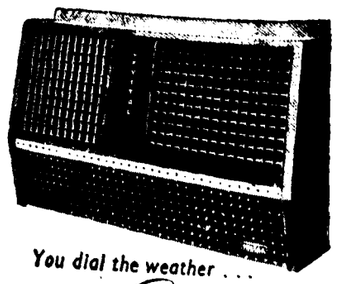
The Government of Argentina has purchased $75,000,000 from the International Monetary Fund with Argentine pesos. Argentina's quota in the Fund is $150,000,000 of which the member paid $37,500,000 to the Fund in gold.



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Economic Report from the U. S.

FOREIGN AID PROPOSALS

(BY GUY SIMS FITCH)

WASHINGTON, May 14.—So many reports on foreign aid have now been issued, they need to be put in context as background to both President Eisenhower's forthcoming specific proposals to Congress and his broad campaign on behalf of his Budget.

What are some of the principles on which Presidential, Congressional and private groups have agreed in their foreign aid studies?

The Best way to approach this inquiry is to take a look at the latest and highly important report, just published by the Senate Special Committee on foreign aid.

The Committee was created last July during an intense Congressional struggle over mutual aid. As the report itself states, the Committee sprang from the realization that Congressional votes in favour of mutual assistance had suffered from atropy ever since all but seven legislators approved of the Marshall Plan ten years ago.

Composed of the full Foreign Relations Committee and ranking members of the Appropriations and Armed Services Committees, the foreign aid group brings together the views of some of the most influential men on Capitol Hill.

It is then of consequence that these men after exhaustive study and in the midst of a strong Congressional economy drive, recommend that foreign aid be continued. Their report flatly states that there can be only one answer to the fundamental question: "Foreign aid is necessary". On that issue all reports agree.

Another characteristic the reports have in common is a shift of emphasis. No report recommends specifically that the programme on which close to $58,000 million has been spent for, should go on without change.

The proposals for shifting gears range all the way from abroad and general preference for loans (as opposed to grants) in the Presidential Committee's reports, to Secretary of State, Mr. Dulles' far more specific suggestion for the establishment of a revolving fund.

Such a fund, to be built up in yearly installments of about $500 million to $600 million would free foreign Aid planning from the limitation of annual budget appropriations and particularly benefit economic-project aid in newly developing countries.

Agreeing with Mr. Dulles' idea, the Senate Committee, too, recommends a revolving fund but for reasons that go well beyond budgetary procedures. It proposes that the fund be established wholly apart from other types of aid, such as military assistance, defence support (a special type of economic aid) and technical assistance, for which, incidentally, the Senate group is full of praise.

The revolving fund would be under the control of a new government corporation with State Department, Commerce Department and Export-Import Bank officials among its directors. It would supplement Export-Import Bank lending, promote private American investment abroad and encourage the development of private enterprise. It could enter into joint investment with private capital and acquire debentures in national or regional development banks in recipient countries.

Under the Committee's recommendations, foreign aid would receive several new slants: Military aid would come under domestic defence; defence-support aid, specifically to peoples under critical threat of Communist aggression, would be under the State Department's direction; technical assistance would continue in its present form; and the fund would handle pure economic-development aid.

It would give assistance in the form of repayable loans, with distinctly lower interest rates and longer repayment schedules than those customary for private loans, but with a 'reasonable expectation of repayment".

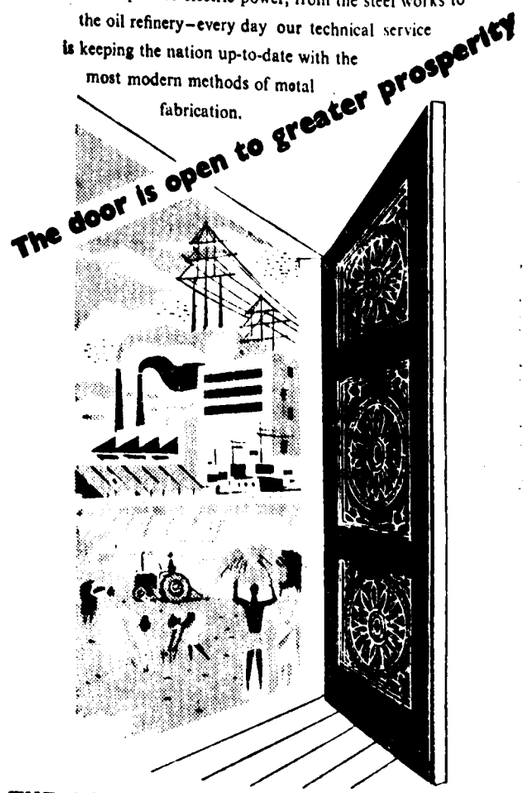
The fund thus would allow a "discriminating reduction" of grant and of the overall costs of the programme.

The Committee feels strongly about the purity of economic aid: 'The economic development of other independent nations is in the interest of the United States," the report declares, and its purposes are better fulfilled if they are not confused with defence against the threat of Communist aggression.

The Committee's approach would give each type of aid a clear and distinct purpose. It would, in effect, make economic development aid part and parcel of U.S. long-range foreign economic policy, a concept in which the State Department itself has shown considerable interest of late.

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THE BUDGET IN BOMBAY

By CROESUS

NO official position today is more unenviable than that of the Finance Minister of India. Given the mandate to find funds for financing a plan—the second Five-Year Plan.—the size of which does not appear yet to have been finalised, and this at a time when the balance of payments position, on the one hand, and the internal price situation, on the other, are anything but satisfactory, it is difficult to say whether anyone else in the position of Mr. T. T. Krishnamachari would have acted differently; possibly, one might have done worse. But the question is repeatedly asked—and it will continue to be asked, notwithstanding our Prime Minister's remark in Neiveli that those who do so lack the quality of audacity—whether it is at all worth while to force the pace thus. It is not that those who argue in this strain are averse to the raising of the standard of living of our people, because they realise only too well that it is low enough in all conscience. But what they genuinely apprehend is the likely frustration if the second Plan falls short of the targets. I am positive these are not Jeremiahs or Iagos out to create a scare for the simple fun of it or the sheer mischief of it. They too are men of great calibre and varied experience who are not lacking in any way in the love of this great and beloved land either. Nothing has brought this home to the people more pointedly than the Union Finance Minister's latest assessment of the economic health of this country and his formidable budget proposals. Epithets like "Flecee-All" budget or "Save-the-Plan" budget only partly describe the development. Individual proposals have been justified by some and condemned by others, but persons with penetration are prone more to view the budget proposals as a whole from the point of view of the effects—not just the plupical, but the psychological—they are likely to have. Even to say these would be disastrous would be to put it very mildly. Far from fulfilling all the four objectives underlying them, Mr. Krishnamachari's budget proposals would or rather might achieve just one objective, that is the first objective of producing a sizeable addition to public revenues, but whether this will be a continuing process or just a passing phase is more than one can say at this stage. The danger is not altogether absent that the tax yields might fail to respond to increased incomes, at any rate to the extent expected.

Several commentators have described Mr. Krishnamachari as courageous. Courageous he undoubtedly is; but he might have been courageous and also considerate had he implemented 'in toto' all the proposals of Professor Nicholas Kaldor, for whom he has unconcealed admiration. I go a step further; Mr. Krishnamachari should have, with all the tax changes he has brought about, also made a bid for a triennial budget, if not a budget for the rest of the Plan period, and then asked the public to judge his performance. That is what Roosevelt asked for in his Fair Deal.

To turn now to the reactions to the budget proposals of the business world. If there is one new tax proposal that has been almost universally condemned, by the business world, and also by the discerning public, it is the wealth tax on companies. The Union Finance Minister has justified this levy by reference to certain peculiar circumstances of this country. By that beautifully vague phrase he presumably means the structure of companies in India as it has developed, under which the managing agents or the people who manage point-stock companies under other appellation hold—or rather used to hold—a major interest. But has not enough been done already to sound the death-knell of this structure? That apart, can anyone challenge the correctness of the charge against this impost that it amounts to double taxation pure and simple? Moreover, at a time when the country needs more savings, more capital formation and more production, this threat of a sure levy right from inception can hardly conduce to the growth of more concerns. The low rates with which the Wealth Tax has been ushered in have not succeeded in making it acceptable, for the certain fear is there that, once introduced, its behaviour would not be very different to the small ripple that a stone thrown into a pond initially produces. The ripple widens.

Next in the order of the hated new levies comes the Expenditure Tax. In having brought in this tax also, along with the Wealth Tax (and the Capital Gains Tax earlier) without giving effect to Kaldor's suggestion to reduce the level of taxes to 45 per cent at the same time, Mr. Krishnamachari has allowed himself to be chastised by Kaldor, although the former can quote the latter to justify this piece-meal implementation of his (Kaldor's) proposals. However, in doing this, the Finance Minister has not belied the worst expectations of some people that he might import the worst features of the Kaldor Report without most of its severely few redeeming ones. Whatever may be the theoretical justification for the Expenditure Tax—even here, there are few bar Kaldor who approve of it—the difficulty of giving effect to it in practice and the avoidable fears about one's "sacred secrets" being exposed ought to have deterred our Finance Minister.

As regards the other levies, in particular the excise duties and the import duties, there is no other or further angle that the Business World has provided than what is by now familiar to all. But one point that deserves to be stressed, even if it may be called a repetition, is the combined inflationary effect of both of these. It has been admitted that the object of the excise duties, on some of the consumer goods is to discourage their consumption by making them dear and thus taking them beyond the reach of most people. The increased import duties and the further tightening of imports also are aimed at achieving a similar end. The creation of this "artificial" shortage will lead to surplus or idle purchasing power, the quantum of which will go on increasing with the steady flow of development outlay, and this could be diverted into other channels, unless effectively dammed or mopped up, bringing about an imbalance therein and also lead to embitterment among those sections of the population which are only lately being drawn into the money economy.

Even more serious than this is the certain effect on our export prices due to the all-round rise in costs. The Finance Minister may deny the exchequer any excise duty on goods produced in this country for export, but he cannot prevent the cost of these goods going up as a result of the price-wage spiral that the gathering inflationary conditions will soon set in motion. India can compete with her rivals in whatever foreign markets she has entered more on the count of attractive price than on that of superior quality, although the quality is fast improving.

These criticisms are not frivolously made. As I said at the outset, the position of any Finance Minister today is unenviable and most people sympathise with him and go even so far as to say that, in the context of our impossible second Five-Year Plan, what he has done is perhaps inevitable. But would it not be prudent to bow to the logic of facts and cut down the size of the Plan to manageable proportions or extend its period.

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BUSINESS NOTES

SHARP DECLINE IN LIFE INSURANCE BUSINESS

THE STATEMENT laid on the table of the Lok Sabha by Mr. B. R. Bhagat, Deputy Minister for Finance, makes the disturbing disclosure that there was a sharp decline in the new life insurance business written in 1956 under the auspices of the nationalised set-up. Life insurance business in 1956 stood low at Rs. 200 crores in telling contrast with business of the order of Rs. 268 crores in 1955 and Rs. 247 crores in 1954. It is the contention of the Minister that these figures cannot be taken at face value and proper allowance must be made for certain special factors. The special factors to which more than normal business is attributed in the years 1954 and 1955 are: (a) Business under Staff Assurance Scheme and (b) business due to Estate duty policies and Married Women's Property Act policies and (c) conversion business. Staff Assurance Schemes were prohibited in October 1955 as they led to unhealthy and cut-throat competition. As for Estate Duty policies and Married Women's Property Act policies, the initial spate of business subsided and only marginal business that may be available from year to year was left in 1956. Consequent on the steep reduction in the rates of premiums, there was a great rush for abandoning existing policies and buying new ones at the attractive low rates. Business so written was in no sense genuine new business but mere conversion business. The scope for such conversion business was exhausted by the end of 1955. This in brief is the official explanation of the special factors which contributed to an unusual volume of business in the two years preceding nationalisation.

There is no doubt some force in the contention of Mr. Bhagat. However, even if full allowance is made for the operation of these special factors, the conclusion remains unaltered that business in 1956 did record a significant fall. As the statement shows, in the year 1954 business worth Rs. 36 crores was attributable to the conversion factor, Rs. 10 crores to the Staff Assurance Schemes and Rs. 7.5 crores to Estate Duty and Married Women's Property Act policies. This adds up to Rs. 53.5 crores. The respective figures for 1956 were Rs. 36 crores, Rs. 18 crores and Rs. 7.5 crores, aggregating to Rs. 61.5 crores. If this volume of special business is excluded, the comparative position of new business written emerges as follows: 1953 — Rs. 168 crores, 1954 — Rs. 193.5 crores, 1955 — Rs. 206.5 crores and 1956 — Rs. 200 crores. These figures disclose that whereas in the years 1954 and 1955 there was a substantial increase in business of the order of Rs. 25.5 crores and Rs. 13 crores as compared to the previous year, in the year 1956 there was a trend in the reverse direction showing a shortfall of Rs. 6.5 crores below the preceding year. This short-fall comes ill at a time when higher incomes and the desire to save ought to have given impetus to the life business.

Mr. Bhagat's statement contains a significant admission. He says that during January to September 1956, when, after nationalisation, life business was managed by the erstwhile insurance companies functioning under custodians as separate units, business of Rs. 145.61 crores was completed. This was in excess of the business done in the corresponding period of 1955. The implication of this admission is clear. It is that conditions in 1956 were far more propitious for new business than in the previous two years, so much so that even the effect of the three special factors would have been more than wiped out. After the Life Insurance Corporation was launched, that is, between September and December 1956, monthly average business suddenly shrunk to Rs. 13.7 crores as against the monthly average of Rs. 18.2 crores under the custodians. The dislocation which followed movements of staff and the dispute over pay scales as well as the uncertain and unsettled conditions of work for agents are matters of common knowledge. The staff has been appeased now at a cost of Rs. 60 lakhs per year in terms of higher emoluments. The difficulties of the agents remain to be resolved. Certain new schemes of insurance have been proposed to be introduced. Time alone can show whether present optimism about their potentialities is justified. But so long as the Corporation does not set its house in order in respect of conditions of employment for field workers, it is unlikely that any mentionable progress will be made in life insurance.

ONCE BITTEN, TWICE SHY

LAST WEEK'S raising of the Bank rate (from 3½ per cent to 4 per cent with effect from May 16, 1957) has set right at least one anomoly, namely of the official Bank Rate lagging behind the Usance Bill Rate. But the problems of the Electricity Industry do not appear to have been solved thereby. The Industry is still agitated by two allied problems in the context of the Electricity (Supply) Act. The first of these is that, although the De Facto Rate—the Usance Bill Rate—was raised to 4 per cent from February 1, 1957, the Electricity undertakings will not be able to adjust the returns automatically with the money market, until April, 1958, as matters stand, because the Bank rate as such was raised only from May 16, 1957 or, in other words, after April 1, 1957, the date relevant as per paragraph XVII (10) of the Sixth Schedule to the Electricity (Supply) Act. Thus, despite the effective rise in money rates because of the delay in the DE JURE recognition of a DE FACTO state of affairs, the industry is made to suffer avoidably for no fault of its own. The second is the possible repetition, by the Reserve Bank, of the increase in the Usance Bill Rate without a simultaneous and corresponding rise in the Bank rate. The industry cannot certainly be blamed for entertaining such an apprehension. Once bitten; twice shy, it has not forgotten its bitter experience when the Usance rate was raised in February last without also raising the Bank rate at the same time. In these circumstances, the industry has again approached the Government with two specific prayers, which require not only sympathetic but prompt consideration at the hands of the authorities.

First, the industry wants the Reserve Bank rate to be made effective retrospectively from April 1, 1957, notwithstanding the fact that the increase in the Bank rate came later; secondly, it has asked the Government to push through at least a brief bill during the current session of Parliament, in order to meet the more pressing needs of the electricity industry. The bill need deal with only two consequential amendments namely that relating to paragraph 3(b) of the Fifth Schedule and that relating to paragraph 2(b) (ii) of the Eighth Schedule.

In this connection, the Federation of Electricity undertakings of India has actually suggested a draft text of the amendments to paragraph XVII (10) of the sixth Schedule to the Act. This reads as follows:

Explanation "for purpose of this paragraph, the Reserve Bank rate means the Bank rate under Section 49 of the Reserve Bank Act 1934 or the rate of interest on advances to scheduled banks against Government and other eligible securities under Section 17 of the Reserve Bank Act, 1934, whichever is higher.

The above only crystalises the position as it ought to be. Inasmuch as even the Union Finance Minister has accepted the views of the Federation on the point, it is to be hoped that there will be very little delay in giving a legislative form thereto.

NIEVELI LIGNITE PROJECT

THE OPENING of Nieveli Lignite Project by the Prime Minister this week marks a significant stage in the development of industries in South India. So far development of industries in the south could not be speeded up on account of the lack of coal and power supply. Coal supplies are obtained from West Bengal and Bihar and entail high transport and freight charges.

The mining of lignite of brown coal, is the core of this multi-purpose project which envisages an annual output of 3.5 million tons of lignite by 1960, production of 70,000 tons of nitrogenous fertilizers and generation of 200,000 kilowatts of thermal power. The total cost is estimated at Rs. 70 crores. The Nieveli scheme will not only generate power and make possible the setting up of a 10,000-ton aluminium plant in Salem during the current Plan period, but will also give rise to a host of other industries. As there are no known deposits of good coal in the South, the region's only chance of an assured supply of cheap fuel lies in the exploitation of the large deposits of lignite in the South Arcot. The present project is expected to achieve that and relieve to a considerable extent the present shortage of fuel in the area.

The Government of India who are anxious to have the project pushed through without delay have sanctioned the errection of the Mining Scheme as the first step. Te management of the project has been entrusted to the Nieveli Lignite Corporation, a Government-owned company. The biggest prospect opened up by Nieveli is the manufacture of steel using lignite as fuel. There have appeared in the Press reports about the setting up of the third public sector steel plant in the South, the reason assigned being that the lignite fuel will greatly assist this plant. This is an exaggerated estimate of the potentiality of the Nieveli project. The report is now contradicted.

There is also a proposal to manufacture synthetic petroleum from lignite. The setting of these industries is expected to correct the present imbalance in the country's industrial development. While the steel and aluminium plants would put the southern region on the road to faster industrialization, the functioning of the fertilizer plant in the neighbourhood of the Neiveli Project, would help in stepping up the food production drive in the South.

ENQUIRY INTO COTTON MILL CLOSURES

PERHAPS THERE is no other industry which has been so severely affected as a result of the recent formidable burdens as the cotton textile industry. This industry, which is already reeling under such heavy burdens as increased excise duties, hgher interest rates and compulsory deposits — not to speak of the recent imposts on Joint-stock enterprises —is now confronted with the prospect of closure of a number of its units and of investigation into the causes for such closure by the Government. Save for an infinitesimally small number of those who may have skeletons in their cup-boards to hide, this is, indeed, a blessing in disguise It is not surprising, therefore, that many have welcomed investigation. It is desirable not only from the point of view of the workers, who will be thrown out of employment—an aspect in which the Government is primarily interested but also from the industry's point of view. For, such should serve as an eye-opener to the Government and enable it to find how they have become victims, due to causes beyond their control, of unrealistic economic policies. Mr. N. H. Tata, Chairman of the Svadeshi Mills Co. rightly pin-pointed this, while addressing the annual general meeting of the shareholders the other day.

After making a passing reference to policies and executive actions of the Government, which are doing a lot of damage to the industry and to Mr. Krishnamachari's "all-out" budget efforts to produce Rs. 93 crores of tax revenue, the Svadeshi Chairman expressed his view on the reported closure of a number of textile units. Mr. Tata had no doubt that investigations into this matter "would be interesting and thought-provoking" even for the Government. He said, "it would be sheer folly on the part of any manufacturing unit today, with burdens of heavy standing charges, in the form of heavy interest charges, insurance and salaries, to seek relief through the expedient of a closure, involving under our labour laws staggering statutory liabilities in the shape of retrenchment compensation or benefits of involuntary unemployment of its labour force. Consequently, he opined, it was as much suicide for the employer as it was calamity for the worker.

HEAVY MACHINERY MANUFACTURE

WITH THE selective acceptance by the Government of India of the recommendations of U.K. Heavy Engineering Mission and the Soviet team of experts, the path has been set for establishing the manufacture of heavy machinery so needed for strengthening the industrial base. It may be recalled here that during the last twelve months foreign experts made surveys of the resources and sites for starting heavy machine industries. Two high power teams came from Britain and the Soviet Union; a Japanese trade mission came later. Government of India had also invited experts from Germany and Czechoslovakia to make on-the-spot studies.

The scheme for the development of heavy manufacture, the broad pattern of which is now available, provides for the setting up of a heavy machine building shop, a foundry forge shop to meet the requirements of the machine shop and other industries, a heavy structural shop, a plate and vessel shop, a machine tool plant, a mining machinery and equipment plant and an alloy and tool steel plant. In regard to the setting up of a Central heavy machine building plant, a capacity to manufacture 80,000 tons of machinery equipment annually is envisaged. It is to be concluded in two stages. At the end of the first stage the annual capacity will be 45,000 tons and this would correspond with the second Plan period. The Soviet Government's offer of credit of Rs. 60 crores will be utilised for the setting up of this plant and also the mining machinery and equipment plant. A heavy structural fabricating workshop, a plate and vessel shop and a heavy machine tool plant will be established on the lines proposed by the U.K. mission. Assistance for technical consultative services is likely to be available under the Colombo Plan in regard to these projects. For the heavy machine tool plant offers of collaboration are forthcoming from the Continent also. As regards foundry forge shop discussions are going on with Czechoslovak, Russian, British and German interests. Although the details of these projects have still to be worked out, it is estimated that the entire development will cost Rs. 80 to Rs. 90 crores of which Rs. 50 crores will be the foreign exchange component.

The latest development in the field is the appointment of a special negotiating Committee set up under the Chairmanship of Mr. Y. N. Sukhtanker to negotiate the various projects that will form part of the heavy machine building plant with Russian, British, German and Czech interests. Along with the speeding up of the heavy machinery projects there is also the need of the technical personnel to man the foundries and forges, the factories and machine shops. Provision for training facilities of these personnel forms part of the overall programme of expansion of technical institutes which is now being taken up on an appreciable scale.

COMPANY AFFAIRS

THE NATIONAL RAYON CORPN. LTD.

The National Rayon Corpn. Ltd. reports a net profit of Rs. 58.33 lakhs after providing Rs. 60 lakhs for depreciation and Rs. 26.61 lakhs for taxation. The provision out of the year's profits are Rs. 7 lakhs for general reserve, Rs. 10 lakhs for deferred taxation reserve and Rs. 2 lakhs for gratuity reserve. The debenture redumption fund also gets a credit of Rs. 10 lakhs. The carry-forward at 5.52 lakhs compares with Rs. 51.12 lakhs brought forward from the preceding year.

The balance sheet shows that the paid-up share capital of the Company now stands at 334.92 lakhs as against 331.90 lakhs last year; representing an increase of 3.03 lakhs. The Company's funds also benefited to the tune of Rs. 6.15 lakhs by way of premium and share account; being the value of forfeited shares sold during the year. It is significant that for the first time provision has been made for payment of taxes to the extent of Rs. 26.61 lakhs as already stated as it is expected that the Company's profits for the year 1956 may became liable to assessment for income-tax. From the point of view of the shareholders this means that the dividends on preference shares will be subjected to deduction of income-tax at source while those on ordinary shares will have to be grossed up by the shareholders in their returns for purposes of income-tax.

It is not clear from the Directors' report, and pending the finalisation of the relevant rules, whether or no the Company will be required to make any compulsory deposits.

The Company has been making satisfactory progress in regard to its expansion programme. The second stage of the expansion was completed in December last, while the 3rd and the fourth stages are due to be completed very soon, when the total installed capacity of the complete plant will be 24 tons per day (on the basis of 114 diniar). Alongside of the expansion of the main plant work has also been going on in connection with the erection of the caustic soda chlorine plant which is expected to go into production about third quarter of this year. Normally the plant should have gone into operation by now but the Suez crisis delayed the arrival of machinery by quite a few months. This up selling the original time schedule of the management.

Another activity of the N.R.C. is the proposed connection of a four million pounds capacity tier curd plant. This is expected to cost the Company about three crores of rupees and the erection of the plant may be expected to be completed in about 2 years time from the date of placing the order. This venture will naturally require additional finance besides securing of the required plant on a deferred payments basis as required by the Government of India. Accordingly, the Directors have decided to increase the ordinary capital of the Company by a further issue of 80,500 ordinary shares to the existing shareholders in the proportion of one share for every two shares held. Subject to the sanction of the government it is proposed to ask a premium of Rs. 25 per share. As regards arranging for deferred payments as also for negotiating terms for the purchase of necessary equipment and know-how arrangements have been made to depute representatives of the Company to explore possibilities.

The accounts for the year under review do not reflect fully the incidence of the new excise duty on Rayon Yarn; which became effective only from December 1, 1956. But as the directors state in future years the incidence of this burden will be for the full twelve-month period and at the present rate will cost to Company more than Rs. 35 lakhs every year.

The N.R.C. is a unit of one more industry which has been the victim of the unsatisfactory position regarding supply of wagons.

THE TATA IRON AND STEEL COMPANY LIMITED

NOTICE.

The Transfer Books of the Company will be closed from Monday, the 24th June, to Saturday, the 20th July, 1957, both days inclusive.

The dividends for the year ending 31st March, 1957, when sanctioned, will be made payable to those shareholders whose names stand on the Share Registers of the Company on Saturday, the 20th July, 1957.

BY ORDER OF THE DIRECTORS,

Tata Industries Private Ltd., Managing Agents,

J. D. Choksi,

DIRECTOR.

BOMBAY, 17th May, 1957.



COMMODITY NEWS AND NOTES

PRODUCTION OF INDIGENOUS SUGAR

The production and despatches of indigenous sugar amounted to 18.22 and 10.35 lakh tons up to April 30, 1957, in the current season, as against 16.53 and 8.06 lakh tons respectively in the corresponding period of the last year.

The stocks with the factories on April 30, 1957, stood at 13.14 lakh tons, as compared with 12.58 lakh tons last year.

ESTIMATE OF MESTA FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate a mesta for 1956-57 puts the current year's area and production at 738,000 acres and 1,474,000 bales (of 400 lbs. each), as against the partially revised estimate of 572,000 acres and 1,159,000 bales respectively for 1955-56. This shows an increase of 166,000 acres or 29.0 per cent in area, and 315,000 bales or 27.2 per cent in production over last year.

The increase in area during the current year has been shared mainly by West Bengal, Bombay and Bihar, and has been attributed to favourable climatic conditions at the time of sowing. Some minor decrease in acreage during the current year has, however, been reported from Mysore and Madhya Pradesh.

The overall increase in the current year's production has been shared by almost all the States except Andhra Pradesh and Madhya Pradesh. The increase is marked in the case of West Bengal, Bihar and Bombay and has been attributed partly to increase in acreage, and partly to favourable climatic conditions at the growing period of the crop.

PRODUCTION OF COMPLEX FERTILIZERS

The production of 200,000 tons of "complex" fertilizers annually at the new fertilizer plant, to be set up in the country soon, has been recommended by the Standing Committee on Manures and Fertilizers of the Ministry of Food and Agriculture. The 'complex' fertilizers, containing principal plant nutrients, will cost about 40 per cent less than the prevalent price of fertilizers. The Committee reaffirmed its original recommendation to the Government of India that 40,000 tons of diammonium phosphate should be manufactured at the Sindri Fertilizer Factory. In view of the upward revision of the consumption target of potassic fertilizers for 1960-61, from 30,000 tons to 48,000 tons per year, the Committee suggested that the additional quantity could be produced by stepping up the production of potassium chloride (muriate of potash) at the existing salt manufacturing centres in the country.

MARKETING OF CHILLIES

A report on the marketing of chillies in India, published by the Directorate of Marketing and Inspection of the Union Ministry of Food and Agriculture, estimates that the annual production of chillies is about 18 million maunds—8 million maunds green and 10 million maunds dry, covering an area of about 12 lakh acres. Important chilli producing States are Madras, Andhra, Bombay, Madhya Pradesh, Mysore and Bihar, which together account for 88.9 per cent of the total area under the crop. Of these, Madras has the largest acreage, followed by Andhra and Bombay in that order. There is hardly any import of chillies into India. On the other hand, India exports on an average about 187,000 maunds per annum, the largest importer being Ceylon. There are many varieties of chillies in India, differing in size, shape and pungency. They are grown both as a garden and a field crop and also as a rain-fed or an irrigated crop. The report emphasises the need for improving market intelligence and the methods of storing, grading and packing. It says that co-operative societies should be developed for gathering and distributing chillies and State Governments should enact legislation for regulating markets. The report lays stress on the necessity of improving the financial resources of the producers and of adopting effective measures to fight pests and diseases as also of introducing improved methods of cultivation.

RICE ACREAGE IN PUNJAB

The final forecast for rice crop in Punjab has placed the total area sown in 1956-57 at 7,32,800 acres as against 6,74,000 acres in the corresponding forecast for the last year. This includes an irrigated area of 5,11,400 acres—70 per cent of the total rice-fields in the State.

The total out-turn of husked rice according to the Random Sampling Method of crop cutting experiments is estimated at 2,77,000 tons and according to the official estimate is 2,22,600 tons against 2,02,000 tons in the last year. The average per acre yield estimated comes to 876 lbs.

The total area under maize crop in Punjab during the year 1956-57 has been estimated in the final forecast at 10,09,000 acres as against 9,85,000 acres in the corresponding forecast of the last year. The average yield per acre comes to 1,445 lbs. according to the Random Sampling Method of crop cutting.

The total area under jowar this year, according to the final forecast, is 7,06,000 acres as against 7,00,000 acres in the last year.

WORLD CONSUMPTION OF TIN

World consumption of tin is expected to rise by over 8,000 tons this year.

Japan is one of the countries which is taking more from the world supply and her offtake from Malaya is expected to be around 8,500 tons during 1957, against just over 6,500 tons last year.

However, despite the optimistic outlook, there are developments afoot which could change this. Estimates of the year's production in Indonesia and Bolivia show that both countries may not turn out as much this year as they did last year, and it may be that the extra supplies will have to be drawn from either Russia or Brazil. Russia, however, is holding back large quantities for stock-piling.

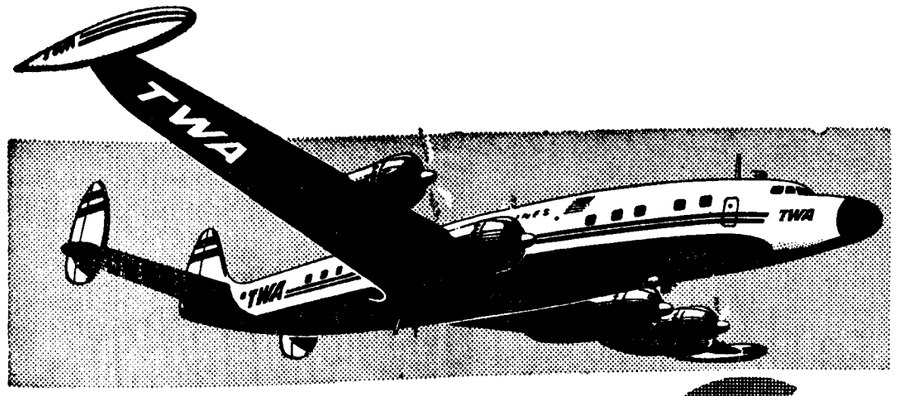
SUGAR PRODUCTION IN U.P.

The production of sugar in U.P. this season is estimated at 10.4 lakh tons as against the country's production of about 20 lakh tons.

The State, which has half the number of the country's total of 134 sugar factories, has almost doubled its production during the last five years. The sugar factories in U.P. crushed 16.44 maunds of sugarcane, producing 5.92 lakh tons of sugar in 1950-51.

SOUTH AFRICAN GOLD PRODUCTION

Gold production in the Union of South Africa amounted to 15.89 million fine ounces in 1956, a new record figure. It was 8.8 per cent greater than in 1955, and more than 20 per cent greater than in 1954. The declared value of the 1956 gold output was £198.5 million, compared with £182.8 million in 1955 and £164.6 million in 1954. Most of the increase in output during 1956 was attributable to the expanding operations of the mines in the Orange Free State, whose production rose to 3.17 million fine ounces, from 2.19 million fine ounces in 1955. There was, however, also a slight increase in the production of the Witwatersrand Mines, to 12.21 million fine ounces in 1956 from 11.91 million fine ounces in the previous year. Production of miscellaneous mines amounted to 0.52 million fine ounces in 1956, compared with 0.51 million fine ounces in 1955.



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(QUARTERLY BULLETIN)

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MAHINDRA & MAHINDRA LIMITED

The following is an abbreviated version of the Speech delivered by the Chairman Mr. K. C. Mahindra at the eleventh Annual General Meeting held in Bombay on May 22, 1957.

This is the first occasion on which the Chairman of your Company is addressing the Shareholders. It is a matter of satisfaction and a little pride that the report which has been presented to the shareholders reflects the conclusion of an exceedingly successful year of operations for the Company. It has been a year where high levels of sales and earnings have been reached. This achievement was possible principally because of your organisation keeping pace with the demands of an expanding economy. Illustratively, for instance, Government put through a programme of heavy purchasing of Steel from abroad. As one of the principal importers of steel, your Company was in a position to service this demand for additional steel and thereby continue to occupy a dominating position in imports. It should be mentioned that under the very rigid regulations governing steel business, the profit margins are extremely low and importers and dealers usually depend upon large volume in order to meet the substantial expenditures of such an operation.

The turnover in Jeeps and allied vehicles was about 20 per cent more than the previous year, but a very satisfactory improvement was made by the Spare Parts Division. Tractors achieved a remarkable advance in sales, almost tripling the record of the previous year. With the commissioning of your new Trailer factory at Pimpri the Company is now in a position to embark on the manufacture of heavy Trailers, and several steps are at present being taken to improve upon the techniques of production, and equip ourselves to service the demands for heavy Trailers in the country.

The problem of manufacture of Jeep components has been our foremost concern, and while the progress so far made is in accordance with the progressive phases of manufacture presented to Government in 1955, it is early to say whether the restrictions now enforced in respect of import of capital goods and tooling would seriously disturb the schedule of timing. Every effort is being made to overcome the difficulties of foreign exchange, and I have hopes that no serious set-back will be experienced during the current year in maintaining our progress.

Shareholders will appreciate that although it was the original design to gradually build and concentrate the Jeep operations at Pimpri, a major decision in this respect became inevitable last year when owing to scarcity of steel and cement it was found that the requisite building operations would not be completed within the time available to us. Accordingly, decision was taken to re-locate the Jeep programme. For this purpose we were fortunate in acquiring certain built-up factory areas in Worli and in Ghatkopar and accordingly the manufacturing operations did not suffer too much of a lag in time.

I will not be doing my duty to the shareholders if I were to gloss over the great difficulties which the manufacturing organisation is facing today: difficulties principally in the matter of foreign exchange but also connected with scarcity of steel and cement, shortages of appropriate raw materials of industry and the continuously rising costs. Problems of this nature will surely retard, if not bring to a halt, our expansion programmes.

There is, besides, the great problem of financing the operations, which are now at a high level. You will have noticed in the Directors' Report a reference to the line of credit of approximately one million dollars which the Willys Overland Export Corporation extended to the Company. This credit is in itself an evidence of faith and confidence which our Principals have shown in your organisation, and I should like to place on record on your behalf our appreciation of this gesture from the Kaiser interests, who now own the Willys organisation.

During the year, the Tariff Commission rendered a great service to the automobile industry by presenting a very able report to the Government, and it is encouraging to know that the industry has now been placed in the category of protected industries eligible for receiving the favours and the bounties attached to such developments. Nevertheless, the industry, in order to become strong and self sustaining, must proceed to develop sound and healthy lines. It is imperative that during the ten years' period recommended by the Tariff Commission and accepted by the Government, the ten years of protectiveness, the industry should shape its course in a manner that it relieves the country and the consumers of such burdens as will naturally be suffered during the protection stage. I do not see this happy consummation being reached unless a considerable degree of common exploration and research is carried out in order that we develop an automotive vehicle which will suit not merely the conditions of locomotion and transport in the country, but which will also suit the pockets of the millions of this land where purchasing power is so low and where the roads are scanty and undeveloped. Your Company is engaged in developing a vehicle ideally suited to the road conditions of India but I must confess it does not qualify as a peoples' car because of its high cost today. Cost can only be brought down by sheer weight of volume turnover. There is no other way in the automobile industry. It is incumbent upon the operators of the automobile business in India to explore the operational uses of a vehicle like the Jeep, to develop and build on its functional structure and evolve the multitypes suitable for what people need, suitable for the roads and available within the purchasing power of an ever increasing number of users.

The Tariff Commission also laid considerable stress on the necessity for common production programmes for auxiliary components like forgings, castings, chassis members, etc. No one need quarrel with the general proposition. It is, however, doubtful whether such an object will be achieved when the types and models of vehicles being produced are so disparate in characteristic and so few in number.

In another place I called attention to the inflationary pressures which have begun to weigh rather oppressively on our economy. The Finance Minister has devised some bold measures to curb the inflationary potential and to keep down domestic consumption

through a series of heavy excise duties. In the Budget presented last week to the Lok Sabha an unequivocal affirmation has been made that sustained increased productivity and savings are the only true key to progress. This statement will be welcomed, particularly in the light of the heavy sacrifices he has called for from the organised business section of the country. I draw attention, however, to a serious omission — the continual inflation of wage demands aided and abetted by Industrial Tribunals and Ordinances has not received the rebuke it deserves, for be it not ignored that the wage leverage upwards is the most potent and powerful threats to the success of any disinflationary measures. A wage freeze, a moratorium for 5 years on wholesale increases in wage demands, would be amply justified under the existing competitive urges when prohibitive restraints are being imposed on payments to shareholders and wealth, qua wealth, is being taxed to satisfy socio economic purposes. The promise to hold prices in the agricultural sector will require a reorientation of transport operations and methods, for it is my belief that mal-distribution of food grains stock is mainly responsible for the scarcity conditions which have developed in various odd spots in the country.

One important sphere of inflationary pressure has not come within the broad sweep of Mr. T. T. Krishnamachari's measures — the positive influence of rising public expenditure. No amount of restraint on consumption or on credit would be of avail if the magnitude and the pace of Governmental spending is not diminished. The volatile spenders, both State and Central, need to be kept in check under a strong leash if the delicate balance of stability is to be achieved. The distinguished Governor of the Bank of England stated recently that "the economic machine could not be driven with one foot on the accelerator of public expenditure and the other on the brake of credit restriction". Mr. Cobbold went on to add that it was not for the Bank to suggest where public expenditure should be cut. That was a political judgment, but it was his prime duty to "sound warning bells when Government and near Government spending is putting too heavy a burden on the country's resources". How true it is of our preset economy. We look to the Finance Minister to exercise enough persuasion with his colleagues so that political judgments conform to dire economic necessity of the moment.

For the success of our ambitious plan of development the co-operation and enthusiasm of the people must be marshalled; a feeling of commonness of responsibility must be generated; likewise a sense of sacrifice must filter down to the people. From this angle, a deliberate increase in costs of living may provide the feeling and the background of obligations and responsibility. Our able Finance Minister is a realist; he should have risen above the historical emotions respecting salt, as also the moralising sanctions respecting prohibition. Rajkumari Amrit Kaur, a devoted follower of Gandhiji, and erstwhile Minister of Health has urged the abandonment of symbolic attachment to salt and has also advocated the scrapping of prohibition laws: these two can provide him immediately with substantial revenues and at the same time incite a large number of the low income category of our population to participate in the grand venture.

Another aspect of the economics of disinflation which has not engaged the attention of our Finance Minister is the imperative need for providing incentives for greater production all round. Mrs. Joan Robinson, the eminent Cambridge economist who has studied deeply the Indian plans and made several visits to India for the purpose, stated a few months ago that "to support any large scheme of investment with a long gestation period there must be an appropriate amount of quick-yielding investment to get the consumption sector (including food production) into the posture to meet the demand that will fall on it — if the threat of inflation hangs over the Plan, it must surely mean, not that the Plan is too large but that the balance is wrong".

When I come, however, to the tax measures affecting Joint Stock Companies, I cannot but help regard the new burdens as indicative of the "certain ambivalence" in economic thinking to which the Finance Minister has himself drawn attention. The increase in Corporation taxes, compulsory deposits and tax on wealth are positive disincentives to capital formation, which by itself has not presented a promising picture over the last five years. A recent survey by the Indian Institute of public Opinion arrived at the depressing conclusion that "there was no significant rise in the rate of capital formation between the years 1952-53 and 1955-56. The second Five-Year Plan assumed that the rate of saving in the economy would be stepped up from 7 per cent to between 10 and 11 per cent, and this assumption was made in the belief that the capital formation in the last years of the first Plan was undergoing some change in an upward direction, possibly of the order of 1 to 2 per cent a year. It now appears that so far as 1955-56 is concerned there is no justification for this assumption and that it may be that capital formation in 1956-57 has even fallen back below 7 per cent."

External dis-savings are huge and consumption expenditure is steadily mounting up. Yet in addition to heavier corporation taxes, a fresh tax on the "wealth" of a company has been imposed, because of "the peculiar economic structure" in India. The Finance Minister has said that "companies were being brought within the wealth tax because in India a very large number of companies were owned by a group of individuals, that company shares were not broadbased." Surely, it is not only being unrealistic but a little disingenuous to place heavy burdens on the source and the instrument of capital formation — a role which hardly fits the credentials and the personality of Mr. Krishnamachari. The egalitarian crucible appears to have consumed the promising yeast of change which the Finance Minister wishes to introduce in the fundamental bases of tax policies of the country. Assuming that a tax on wealth were demanded by the political judgment of the majority of the people, and that wealth was being concentrated in few hands, surely tax on the assets of a productive instrument is not the best method of divesting individuals of a portion of their holdings, for you are thereby hurting the most the very organs which should stand four square in the battle for fighting inflation, for sustaining stability and for furthering industrial growth. On the contrary, the effects of the proposed taxation measures will be far-reaching in respect of disincentives, in respect of capital formation, in respect of savings apart from the incongruous and unjustifiable levy of multiple taxation on the same quantum of income and now wealth. Perhaps the Finance Minister is of the opinion that such disincentives are demanded by the existing strains in the economy. But one should have thought that the most important aspect of a rational policy of taxation is to create incentives and add to the national income so that resources available for taxation are continuously being augmented.

While Mr. Kaldor recommended a tax on personal expenditure, tax on gifts and a tax on 'annual' wealth, he simultaneously recommended a reduction in rates of income and super tax to 45 per cent — all to form a harmonious basis of taxation, a self-checking system which will provide incentives for savings and discourage evasion. This portrait of a new taxing system is missing from the proposed measures. Delhi perhaps has not learned that policy cannot be processed from

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952 53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55 ..	339.8	436.2	350.3	377.4	612.4	377.4	90.5	:00.7	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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
October 1956 ..	392.5	502·4	405.6	387.9	585.2	417.8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80.4	113.6
February ,, c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March ,, c ..	402·7	518·1	403.3	384.1	569.8	421.3	89.9	98.9	79.8	111.5
April ,, c ..	408.3	514.7	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
Week Ending										
23-3-1957 ..	403.6	520.8	402.8	386.9	567.1	422.0	89.9	98.9	79.7	111.5
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7*	90.0	98.9	79.3	109.2
6-4-1957 ..	403.4	514.7	398.8	384·0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513.6	399.6	384·1	565.9	421.2	89.9	99.0	78.7	106.8
20-4-1957 ..	411·1	516.4	400.4	384.1	568.5	423.3*	90.0	99.0	78.4	107.0
27-4-1957 ..	411.6	514.0	401.4	384.6	570.6	423.5	90.0	99.0	78.5	106.4
4-5-1957 ..	399.6	525.0	401.9	384·2	573·6	421.3	90.0	99.1	78.6	105.5

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	136
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	336	352	244	142	347	424	—	—	356	—	—	145
1956 April	342	358	239	140	338	409	396	147	354	151	144	142
May	341	357	236	141	342	408	396	153	356	149	144	143
June	342	358	240	141	350	419	400	156	365	151	146	146
July	342	358	240	144	365	436	400	153	369	153	148	148
August	338	354	244	147	368	445	403	154	372	154	151	150
September	344	361	253	149	366	445	403	153	368	151	156	149
October	336	352	256	152	364	449	407	153	362	153	153	149
November	342	358	261	154	361	446	407	154	369	157	153	152
December	340	356	—	154	356	436	407	156	370	157	149	150
1957 January	340	356	—	151	356	438	411	156	372	157	144	149
February	339	355	—	150	354	435	411	158	369	157	148	148
	341	357	—	150	350							

†Base 1944=100

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haphazardly collected and oddly assorted recommendations. The complex difficulties of administering the new taxation measures in an equitable manner have not been fully realised, nor serious note taken of the inevitable harassment and corruption which will be entailed in evaluating personal expenditure and wealth.

Perhaps it is the view of the Finance Minister that a halt should be called to development and expansion particularly in the private sector. The most significant sentence in his Budget Speech is a sentence of five negatives: "These measures are not intended to curtail genuine investment in the private sector, though it would not be unreasonable to assume that a slight slowing down for a short a period will not, in present circumstances, be undesirable." If disincentives are really what are being aimed at, business men should frankly be told to go slow but we should not be asked to accept the sort of Alice-in-Wonderland economy in which the more the Government spends and the higher the taxes went, the more would be left for investment and spending!

In conclusion, I should like to express on behalf of the shareholders their appreciation of the commendable efforts of the staff and the workers of the Company in achieving such remarkable results in the past year, which give promise of a good future for the organisation.

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450,65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1,443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,34
Week Ending										
29 3-1957 ..	1,526,09	11,77	1,537,86	117,76	412,52	530,28	34.5	122,61	884,97	1,537,86
5-4-1957 ..	1,563,57	7,88	1,571,45	117,76	412,52	530,28	34.0	126,20	914,97	1,571,45
12-4-1957 ..	1,574,42	6,62	1,581,04	117,76	412,52	530,28	33.8	125,85	924,90	1,581,04
19-4-1957 ..	1,569,11	12,38	1,581,49	117,76	412,52	530,25	33.8	126,30	924,99	1,581,49
26-4-1957 ..	1,561,91	20,57	1,582,48	117,76	412,52	530,35	33.7	127,30	924,90	1,582,48

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	4,65
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	75,05	4,16
	(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	4,36
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	33,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	22,40	46,52	57,45	232,80	33,91	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	33,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,22
1955-56* ..	60,11	19,85	53,77	18,31	152,04	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,43
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,96
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,33
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6,44	93,47	60,90	19,09
Week Ending														
29-3-1957 ..	64,57	31,95	57,77	74,28	228,56	161,03	399,59	11,95	2,98	114,31	7,65	127,87	121,22	13,61
5-4-1957 ..	60,59	7,90	60,00	74,49	202,98	150,30	363,29	7,98	15,24	112,82	15,65	106,04	91,97	13,57
12-4-1957 ..	53,60	1,54	69,83	74,35	199,32	149,22	358,54	6,71	18,41	104,20	18,74	104,40	92,91	13,18
19-4-1957 ..	51,41	5,56	71,89	74,54	203,40	149,05	362,45	12,53	10,01	99,83	15,17	98,80	112,90	13,22
26-4-1957 ..	52,83	6,38	67,60	75,13	201,95	151,82	363,77	20,73	12,48	92,39	16,27	96,24	112,42	13,24

Note: Figures in brackets relate to Pakistan. **Inclu des Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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.

U. K. TRADE WITH INDIA

I. PRINCIPAL IMPORTS

(Thousand £)

	Full Year 1956	March 1956	March 1957	3 Months Jan.-Mar. 1956	3 Months Jan.-Mar. 1957
Total All Imports	141,468	12,227	15,737	35,969	55,396
Of which :-					
Tea	68,893	4,960	8,733	15,867	34,883
Leather, leather manufactures & dressed furs ..	11,475	1,375	1,368	4,195	4,195
Tobacco & tobacco manufactures ..	8,178	1	27	304	151
Wool & other animal hair and tops ..	4,154	703	378	1,694	1,335
Cotton	3,379	586	428	1,356	1,059
Miscellaneous textile fibres & waste ..	837	172	78	180	281
Crude fertilisers & crude minerals, excluding fuel ..	1,740	198	214	534	633
Metalliferous ores & metal scrap ..	2,497	200	175	545	931
Miscellaneous animal & vegetable crude materials ..	4,002	436	399	1,189	1,505
Animal & vegetable oils, fats, greases & derivatives ..	7,908	492	700	1,632	1,361
Cotton yarns & woven fabrics	7,475	774	989	1,892	2,443
Miscellaneous textile manufactures	11,729	1,136	1,434	3,282	4,267

II. PRINCIPAL EXPORTS

(Thousand £)

	Full Year 1956	March 1956	March 1957	3 Months Jan.-Mar. 1956	3 Months Jan.-Mar. 1957
Total All Exports	167,837	13,892	15,145	42,161	47,869
Of which :					
Machinery other than electric	45,271	3,764	3,751	10,649	12,734
Electric machinery, apparatus & appliances ..	21,204	1,298	2,180	5,159	6,390
Wool & other animal hair and tops	5,359	652	432	1,262	1,263
Petroleum & petroleum products	2,376	277	299	585	498
Chemicals	18,266	1,719	1,662	4,825	5,612
Paper, paperboard & manufactures thereof ..	1,418	83	99	454	466
Iron and steel	15,926	1,233	1,645	3,921	4,925
Non-ferrous base metals	3,993	178	260	514	1,086
Manufactures of metals	13,453	2,194	803	5,012	3,292
Railway vehicles	6,473	236	768	1,743	2,164
Road vehicles & aircraft	11,927	731	1,264	3,023	3,916
Scientific instruments; photographic & optical goods; watches & clocks	2,941	210	301	647	837

III. U. K. MACHINERY EXPORTS TO INDIA

(Thousand £)

	Full Year 1956	March 1956	March 1957	3 Months Jan.-Mar. 1956	3 Months Jan.-Mar. 1957
Total Machinery	66,475	4,862	5,931	15,808	19,124
Of which :-					
Boilers & boiler-house plant	2,252	225	210	675	504
Internal combustion engines	2,236	165	252	505	823
Agricultural & track laying tractors	1,285	90	82	245	315
Office machinery	1,001	99	85	256	303
Machine tools (excluding portable power tools) ..	2,657	163	309	259	920
Pumps	992	70	73	297	278
Industrial & works trucks & tractor & mechanical handling equipment	2,245	172	282	609	880
Excavating & earth-moving machinery & road rollers ..	2,290	158	89	420	389
Mining & well drilling machinery	566	45	40	98	164
Printing & bookbinding machinery & printing type ..	839	51	48	202	210
Textile machinery	9,861	1,068	655	2,759	2,326
Generating sets, generators & motors	3,498	204	254	899	933
Converting machinery, transformers, switch gear & switchboards	4,799	290	467	1,101	1,625
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,846	80	267	489	565
Telegraph & telephone equipment & line apparatus ..	733	38	116	144	236
Electric cables, wires, strips & strands, insulated ..	5,401	365	603	1,419	1,636

Source:—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

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The Eastern Economist

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Facing the Facts

THE general debate on the Budget in the Lok Sabha this week has shown that many members of the new Parliament, whether on the Congress side or on the Opposition, have far more determination to say what they think than members in the Parliament replaced. This should be a good thing except to addicts to party discipline at any price. It promises, however, as this Parliament's life extends, to be increasingly embarrassing to the Executive. Not the least of the comments which have been made in Delhi this week is on the surprisingly small effect the Prime Minister's speech on Thursday had on the structure of Congress criticism within the House. Immediately after the Prime Minister had concluded his address last Thursday it was found there were Congress Members who were both for a drastic cut in the tax proposals and for a severe economy drive inside and outside the Plan.

This reflects a political fact of which both the Prime Minister and the Finance Minister have taken insufficient notice. It is obvious to almost everyone in Delhi that Congress Members of Parliament have been deeply shaken; they remain fairly disciplined for all that. But there is no enthusiasm of any kind for official policy. Outside there is growing restiveness. The

hartal organised in Calcutta on Thursday showed powerful unanimity with the Leftist Parties which should never have been allowed to capitalise on the situation in this manner. The Central Government's action is bound to encounter difficulties as the Prime Minister proceeds from persuasion to performance. The acts of persuasion have been very inadequately done both by the Prime Minister and the Finance Minister this week. The task of performance—including spending planned outlays — will be impossible, although it is theoretically conceivable that any volume of finance can be raised by measures provided they are stringent enough. Thus, though the volume of taxation in the current Budget is by no means impossible, the disorganisation and resentment it will cause will defeat the performance of the Plan, and may let loose, by the process of a shortage of consumer goods production, a strong inflationary spiral. In the end it is this inflationary spiral and the foreign exchange gap that will defeat the Government. A vote of confidence—with the Whips firmly put on—will not, of course, be in doubt. But this is not a true democratic victory in that the Government's policy is probably contrary to majority opinion in the country. Such an enforced policy can never be worked with democratic zest.

The argument that the Plan can now go through substantially without change, with the current financial proposals ignores two major elements of the situation. The first is that deficit financing is already in heavy use, the Central Government's deposits being as low as Rs. 54 crores in the current week. Secondly, if the Plan outlay runs its course and if the food supply position is not substantially improved in the course of the next two months, the cry for dearness allowance raised both in Calcutta and at the very door of the Finance Minister by a crowd of 5,000 members of the Confederation of the Central Government Employees on Thursday will be irresistible. The Government, having prescribed a liberal dearness allowance for everyone, including working journalists, cannot fail to apply to itself the logic of its own righteous policy of social betterment. Thus every price, and not only those of taxed articles, will sooner or later rise. If we are caught in an inflationary swing within six months, the Budget which should have been a corrective for this situation must be deemed, at least in a negative sense, the cause.

There are two and only two methods by which further deterioration can be stayed. The first (as has been frequently advocated by *The Eastern Economist*) is that the Government should import substantially more food grains under another agreement with the US Commodity Credit Corporation. Imports under this agreement should be of the order of 2 million tons with as much rice as possible and can be kept as an emergency Central reserve, while the 2.5 million tons to be imported this year under the previous P.L. 480 agreement can be sold at a price of 10 per cent below the current market price. To the extent deficit financing is employed for food subsidies to the tune of Rs. 25 crores or even Rs. 50 crores it is on balance deflationary, and so deficit financing for this purpose need not be a source of anxiety. What is essential is that instead of requisitioning stocks of food grains at arbitrary prices, under the proposed Essential Commodities (Amendment) Bill which might cause extreme disorganisation and harassment, quick action should be taken to distribute food imports rapidly and arrange for further reserves without delay.

The second method is no other than the one which formed the central theme in *The Eastern Economist* Blue Supplements on the Budget last week as well as in March last. This is the pruning or rephasing of the Plan so as to reduce the budget year outlay on the Plan projects by anything from Rs. 150 crores to Rs. 190 crores both at the Centre and in the States. If both these measures are adopted at once, there is just hope that the inflationary spiral may be held in check until consumer production presents a healthier picture to face a new bout of deficit financing.

Whether the Prime Minister who, for the first time since Independence, appears to have lost majority support on the pattern of current expenditure will be able by the unique position he occupies to gather all the threads together again or not, it is becoming increasingly clear that substantially more is involved in the current serious economic situation than appears at first sight. One small, though significant, point is the vehemence with which Mr. Shriman Narayan, General Secretary of the All-India Congress Committee, has just written in the A.-I.C.C. Economic Review against Government extravagance. Mr. Shriman Narayan says: 'The people in general have a feeling that while the Government is imposing heavier burdens on the common man, the Government expenditure shows no signs of economy. The people naturally ask: Why is the Government erecting palatial buildings in New Delhi and spending crores of rupees when a large number of buildings are lying empty in other cities?..... The Government of India cannot expect to create the necessary enthusiasm for additional taxation in the general public when its own expenditure cannot be regarded reasonable or equitable". The Congress Secretary is particularly severe in his criticism of the lowering of the taxable minimum from Rs. 4,200 to Rs. 3,000. "We do not think", he says, "that the Finance Minister has done the right thing in this respect. Psychologically the lowering of the taxable minimum will greatly disturb a large number of middle class and lower middle class persons in the country who can hardly afford to bear the additional burdens at a time when the prices of essential goods are showing an upward trend".

These strong words of criticism, coming as they do from the Congress Secretary, have fallen on deaf ears for the tax concessions (announced by the Finance Minister as we go to the Press) look so inadequate that one is led to think that the original tax proposals and the revised ones will not be separated in the public mind. The net effect of the changes and marginal adjustments in the original proposals would be to reduce the estimated revenue from them by just under Rs. 6 crores in a full year or about Rs. 5 crores in the remaining part of the year. These concessions are by no means generous and make little difference to the inflationary situation. Thus the democratic brake has failed in this case to work. But the car cannot race for ever; events are forming their own block to executive intransigence. They always win in the end.

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Postscript to the Ike Doctrine

THE Eisenhower doctrine for the Middle East was criticised and condemned by most of the Arab and Asian Governments when it was propounded in December last. None of its critics—or supporters—at that time knew that it would be put to the test so soon, and prove the statesmanship of its initiators. In truth, this should not be surprising. For it has been demonstrated repeatedly—as it was in this instance—that Asian assessment of Western moves in the Orient is often coloured by lingering colonial memories and consequently tends to lack objectivity. This anti-colonial neurosis has led Governments this side of Suez to deny, ostrich-like, the existence of both a "power vacuum" in the Middle East after the ignominious Anglo-French adventure and the danger of internal subversion by international Communism. President Kuwaitly of Syria, during his visit to this country, for instance, denied that there was a "power vacuum" in the Middle East and termed the idea as a "fantastic proposition". Mr. Nehru, who could not obviously afford to be as unrealistic, suggested that the peoples of the region themselves should fill that vacuum "by their own inherent strength and power".

Doubtless, an ideal solution of the problems of the Middle East would have been what Mr. Nehru has advocated if only the peoples of that area were really in a position to develop in accordance with their genius and traditions. But, as the Syrian President himself admitted, even "Syria has to look for help from other sources". The question thus is not whether the "power vaccum" is to be filled by outsiders or the peoples of the region themselves but whether the latter really are in their present condition and circumstances—now vitiated by growing Soviet influence —capable of fending for themselves. The unpleasant truth is that if the Middle East countries were left to their own meagre material and human resources, they may not remain free for long. After all, the Soviet Union, whose frontier extends into the Middle East and which, following ancient Russian tradition, looks avidly at the small countries just beyond the periphery, is not likely to move from its recently-found foothold in that region, howsoever precarious it may otherwise be. It would thus be futile to expect platonic disinterestedness on the part of the Soviet Union in regard to the Middle East generally.

After what the world has already seen in Eastern Europe, it would be naive to imagine that in the Middle East Russia would not like to walk away with the tent, like the proverbial camel. Like the nations of Eastern Europe, these nations would be able to exercise their newly-won sovereignties only so long as they are not absorbed in the Soviet orbit. Economically too successful Communist infiltration would be ruinous. The principal asset of the area is oil, for which Western Europe alone offers an adequate market. Astride the Middle East, the Soviet Union can not only strangle the economy of Western Europe by cutting off vital oil supplies, which would be bad enough; but it may also acquire thereby power of life and death over these countries. And indeed if the Soviet Union comes to control the Middle East, it would be able to dictate terms to practically whole of South and South-East Asia also. With its bases in close proximity to Middle East capitals, Russia would be able to occupy [illegible] country almost at will, if it does not have to face the mighty countervailing force of the country it alternatively fears and admires. America alone can induce from it a healthy respect for the independence and sovereignty of the Middle East nations. One can only hope that this is a factor in the calculations of over-zealous Arab nationalists. In their own interest they would do well to remember that the best way to safeguard their independence is to keep away from Russian blandishments and influence as far as possible.

The recent near-crisis in Jordan has shown how serious and genuine is the danger of Communist infiltration and subversion. It was fortunate that the United States had formulated the doctrine at a time when there was uncertainty in the Soviet Empire itself and when there was robust confidence among the Arab countries in America's anti-imperialist policy. The doctrine not only deterred Syria from an imperialist adventure, but also pro-Soviet internal forces from subverting and undermining the sovereignty of Jordan. It is no exaggeration to say that through the Eisenhower Doctrine, the United States has underwritten the continued freedom of these countries. A similar policy by America in respect of Formosa and Western Europe through SEATO and NATO respectively has not been challenged by the Soviet Union so far.

The only weakness that one can suspect in the doctrine is its seeming inadequacy in rooting out the endemic cause of instability in the region — Arab-Israeli relations. It is this instability which offers Russia an unprecedented opportunity to manoeuvre in the Middle East; at no cost to itself it can easily parade as a champion of Arab nationalism. Also, the kaleidoscopic events in Jordan have shown how difficult it can be to apply the military provisions of the Doctrine though fortunately no such contingency arose there. The Eisenhower Doctrine does not also seem to have any answer for the Kremlin's change of strategy for world domination. From a nuclear open war it has switched over to internal subversion through economic aid. During the last two years, Russia has granted to nine countries a total of 800 million dollars worth of credits on easy terms. To meet this challenge, it is necessary that Washington should reorientate its strategic as well as economic thinking. A generous offer of economic aid without political strings to help the Middle East countries in their developmental plans is an obvious necessity and sooner Washington announces it the better for all concerned.

While offering economic aid and technical assistance, the United States would do well to avoid the pitfalls of British policy in its dealings with the Arab States. The British mistake chiefly lay in its allowing itself to be identified with the reactionary forces in the resurgent society and thwarting the economic development of the region. True, there is no cause for America to commit any such mistake. As a champion of functioning democracy, it is but natural, proper and necessary that America should show through friendly help and guidance that the area of freedom as of prosperity goes on enlarging from precedent to precedent. If some of the Arab monarchs are helpful allies today, that should be no reason for America to think of popular aspirations only in terms of their convenience for ever.

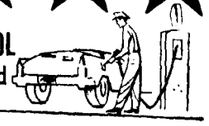
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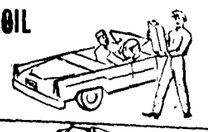
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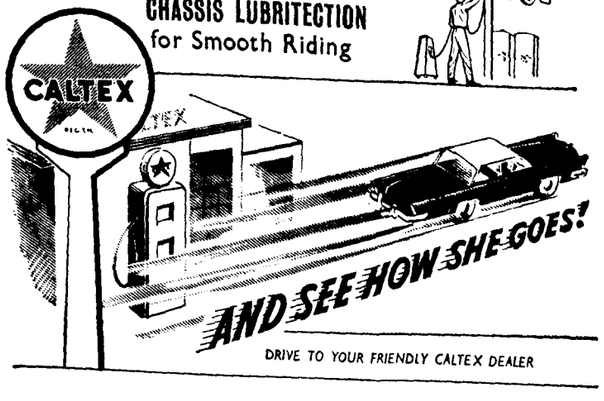


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THE WEEK'S NOTES

AMBAR CHARKHA AND THE PLAN

APROPOS THE Finance Minister's statement that barring the projects in the hard 'core' covering steel, coal, transport and ancillary power, some rephasing of the second Plan is inevitable, a fundamental revision in thinking seems to be necessary in some of the Government's socio-economic experiments. The Prohibition policy of the Government has already come in for severe criticism at the hands of Rajkumari Amrit Kaur, a former member of the Central cabinet. Whatever may be its relative merits, a considerable volume of opinion in this country has always held that Prohibition need not be given any high priority when the Government's coffers are strained to meet even the crying needs of the people like food and clothing. A similar socio-economic experiment of doubtful validity in the present context is the Ambar charkha programme, which is governed by sentiment rather than by any economic reasoning. It is a pity that this item in the Budget speech of the Finance Minister has not drawn much public attention as it shows how Government's intentions to concentrate on the essentials are not translated into practice.

The economic and social implications of the Ambar charkha programme are still in the region of controversy. The heavy subsidy involved in the matter of production and distribution of Ambar yarn certainly does not make it an economic proposition while it is not quite clear whether the elimination of the traditional charkha by the Ambar charkha will provide any additional employment of a substantial nature. Assuming on both these counts that the Ambar charkha can hold its own, it is open to doubt whether the present is the opportune moment for pushing ahead with this programme. When the supply of cloth is not able to catch up with demand, it is a great error on the part of the Government to have put a ceiling on mill production hoping that this would enable the decentralised sector to fill the gap. Under the second Plan, 300 million yards of cloth have been earmarked for production from Ambar yarn out of the total additional production of 1,700 million yards at the end of the Plan. Accordingly 75,000 Ambar charkhas were put into operation during 1956-57. The Ambar cloth production during the year totalled about 1.53 million yards as against the target of 2.25 million yards. At this rate, it is not known how the target of 300 million yards at the end of the Plan will be reached.

In the face of this, it does not seem appropriate that a provision of Rs. 10 crores (Rs. 3 crores by way of grant and the balance as loan) should have been made in the budget for the current year to extend this programme and introduce 1,80,000 more charkhas. It is patent that despite generous State aid and patronage, the decentralised sector will not be able to increase its output. The need for more cloth which is bound to be accentuated in the coming years can only be met by permitting the mill sector to expand and not hindering it. It is nothing short of misuse of resources to throw away Rs. 10 crores in the current year on a programme that has little to commend itself except sentiment. It is also worth examining what it would mean in increasing cloth production in the immediate future if this money were diverted to the mill sector. This is not mere idle speculation since this would provide some relief to the mill industry which is now confronted with the prospect of closure of a number of its units. There seems to be a clear case for postponing the Ambar charkha programme till times are more propitious.

A TIMELY WARNING

SPEAKING ON "Democracy and the Rule of Law" at the Bombay Branch of the Indian Council of World Affairs, Mr. M. C. Chagla, Chief Justice of the Bombay High Court, has recently emphasized that the judiciary should be completely free from any political influence. The wisdom of the advice cannot be over-emphasized. Indeed, several provisions in the Indian Constitution were designed primarily to ensure it in the conduct of our country's public affairs. Without the independence of the judiciary democratic institutions cannot function. But when Mr. Chagla contends that these provisions have not been of much avail, he invites attention to a weakness in our public life which should immediately be remedied. The Chief Justice of Bombay obviously spoke from knowledge, and perhaps experience.

He makes the disconcerting revelation that the appointments to the High Court Bench in some States have been made against the wishes of the Chief Justice concerned. This is an unfortunate development because democracy is not merely a government of for and by the people; it must also be carried on through free institutions, with the sure backing of truly independent judiciary. It is to counteract these sinister tendencies that Mr. Chagla calls for amendment of the constitutional provisions governing appointments to the High Courts (and, presumably, also to the Supreme Court). The Chief Justice of a High Court, he suggests, should not merely be 'consulted'; his 'concurrence' should be made a prior condition of appointment of the puisne judges.

While making this suggestion the Chief Justice of Bombay does not rule out the possibility of an "unholy alliance" between the Chief Justice and the Chief Minister of a State. To safeguard against this possibility he further recommends that there must be a provision for securing the concurrence of the Chief Justice of the Supreme Court in all appointments initiated by the Chief Justice of a High Court. One recommendation of the States Reorganisation Commission is worth recalling in this context, namely, that a portion of the puisne judges of every High Court should be appointed from among those belonging to other States. Implementation of this recommendation would go a long way to minimize, if not completely obviate, the danger of "political appointments" to which Mr. Chagla has drawn attention. It cannot be too highly emphasized that the earlier these suggestions are implemented the securer will be the future of the nascent Indian democracy.

KISHI'S VISIT TO INDIA

INDIA HAS just had the privilege of receiving the distinguished Prime Minister of Japan, Mr. Nobusuke Kishi, who is on his way to the United States. The diplomatic significance of the visit to this country and to South-East Asia stems from Japan's anxiety to identify herself more closely with most other Asian countries barring China. The reasons are obvious: they are economic and commercial. This is as it should be, for even in the case of China mutually beneficial trade relations have been considered necessary to some extent by Japan. However, Japan appears to have succeeded to a great extent in making up the lack of full-fledged economic and commercial relations with China by further promoting her trade relations with the other countries of Asia. It is in this context that Indo-Japanese economic collaboration acquires particular significance.

This is naturally reflected in the diplomatic relations between the two countries. The Prime Minister of India and the Prime Minister of Japan have had cordial discussions and appealed to the Big Powers to suspend immediately nuclear and thermonuclear test explosions and to reach an agreement on the ultimate abandonment of these tests. This is an appeal made

in all seriousness for both India and Japan are most exercised over the radioactive effects of atomic and hydrogen bomb tests—India because of the nearness of her land frontiers to Asiatic Russia and Japan because of her nearness to the Pacific Islands. The radioactive effects may go on increasing if the tests are not immediately suspended. Indo-Japanese accord in this connection may well pave the way for an agreement between the Big Powers to stop the tests. India's relations both with Russia and the United States and Japan's standing with the latter in particular encourage the hope that the world would soon be partly relieved of its worries on the score of the nuclear genii.

ANOTHER FALL IN PARIS

MR. GUY MOLLET's Government has been defeated in the French National Assembly on a vote of confidence. It was a singular achievement of his Government that it contrived to stay in office for nearly 16 months, a record among the 22 Ministries of the Fourth Republic. This is about all there is to its credit. During his Prime Ministership, French committeed naked aggression against Egypt in collusion with England and Israel. Again, Mr. Mollet came to power with the slogan of ending the Algerian war. But as soon as he was in office, he stepped up the struggle, doubtless, being afraid of the catcalls of the French settlers in Algeria and the jeers of the French people who have apparently not reconciled themselves to their country's shrunken stature. Strangely enough, it were the representatives of these very sections whom Mr. Mollet had tried to placate who have now voted him out of office—by refusing to pay the price of the Algerian war in the form of increased taxation. They, on the other hand, demanded that the Socialist Prime Minister should cut the allocations on social and public services in return for their continued support. While his Government was prepared to cut down these services it insisted on raising the levy on petrol, the rate of purchase tax and the tax on dividends and impounding special depreciation allowance and enhancing postal and telephone charges in order to secure 150 billion francs of extra revenue to meet the cost of military operations in Algeria. The crisis has once again proved—if at all proof were needed—that France has failed to solve the dichotomy between its political ambition and economic reality. The lesson of these repeated political crises unmistakably is that France cannot prosper until the Algerian issue is settled.

Political instability has thwarted the economic progress of France. This becomes crystal clear on comparing the post-war development of victorious France and defeated Germany. Twelve years after the Second World War while truncated Germany has overcome war weariness, France remains caught in its aftermath. Inflation is marked within the country, and could be dangerous in a state of endemic political instability.

The fall of Mr. Mollet's Government will, no doubt, result in the usual rounds of consultations among the "Centre" groups. The policy of these groups being less rigid, is more easily adjustable than that of either the Communists or the De Gaullists. But whichever party may succeed in mustering sufficient strength to form a Government, the new expedient will be hardly different from its predecessor. The new Government will in all probability pursue old policies under a familiar though reshuffled team, with minor alterations and replacements.

PROPOSALS ON DISARMAMENT

PROPOSALS AND discussions on disarmament have followed a tortuous course since 1945. While much time has been spent over determining the size of the armed forces in numerical terms, it does not seem to have been realized that the heart of the problem lay elsewhere. The stumbling blocks were the deferred reunification of Germany; the question of priorities in the steps towards disarmament; the proportion of nuclear weapons vis-a-vis conventional weapons; and the central issue of international inspection and control. In point of fact, more recently world opinion has been alarmed at the idea of the probable use of nuclear weapons in a future, perhaps inevitable, war. The tests that are being carried on have evoked concern from various quarters about their effect on the future of humanity.

In the absence of any known method of detecting hidden stock-piles of nuclear weapons, proposals and counter-proposals for their control and ultimate ban have been of no effect. It is, perhaps, in recognition of the intractability of the problem that the latest American proposals on disarmament are reported to have by-passed this aspect of the problem. Achievement of success in the "first step" cuts in man-power, conventional weapons and defence budgets is a prior necessity. There can be no two opinions about the intentions of the United States to find a solution. The hope is that if an agreement, however limited, is achieved, it will, in course of time, brighten the chances of a nuclear disarmament also.

The other new suggestion that the American proposals are said to contain is that those countries, which do not possess atomic weapons at present, should not make any effort to develop them. Doubtless, this is a laudable suggestion inasmuch as there already exist enough atomic stockpiles to wipe out perhaps our civilization itself. But it is, at the same time, doubtful if the proposal would be acceptable to countries like France and West Germany, at least so long as those powers which possess these weapons continue their test detonations and piling up programmes. But it may as well be tragic if the new proposals do not receive calm consideration on all sides. The prevailing atmosphere seems to be encouraging.

ESTIMATES OF NATIONAL INCOME

THE NATIONAL income of India at 1948-49 prices was Rs. 10,420 crores in 1955-56 and Rs. 10,280 crores in 1954-55 as compared to Rs. 10,030 crores in 1953-54. The 'per capita' income at 1948-49 prices correspondingly rose from Rs. 268.7 in 1953-54 to Rs. 271.9 in 1954-55 and Rs. 272.1 in 1955-56. This is revealed by the fourth issue of the annual paper on national income just released by the Central Statistical Organisation. The estimates for 1954-55 included in this paper are based on the detailed method of estimation followed for the earlier years and show an upward revision over the preliminary estimates published last year. The estimates for 1955-56 are, however, based on partial material and are subject to revision.

On the whole, during the first Five-Year Plan period (1951-52 to 1955-56) the national income in real terms increased by 17.7 per cent as against the original Plan target of 11 per cent. The corresponding rise in the per capita income was 10.5 per cent. The absence of any pronounced rise in 1955-56 over 1954-55 was mainly due to the fall in agricultural production revealed by the latest available crop figures. The total contribution to national income at 1948-49 prices by 'agriculture' showed a decline of Rs. 50 crores in 1955-56 over 1954-55 as compared to a rise of similar magnitude in 1954-55 over 1953-54. There was no appreciable change in the yearly increase in the overall contribution by other sectors.

A Window on the World

UNDER-EMPLOYMENT IN RURAL WALES

By

ODYSSEUS

CARDIFF, South Wales.

THROUGHOUT TEN DAYS in Wales, I found myself constantly reminded of India's rural problems. An area in South Wales centred on this city of Cardiff, about 75 miles east and west and 36 miles north and south, is industrialised without, however, being in any way a "black country" of continuous streets and grime. The rest of Wales is agricultural or forest land and suffers from under-employment. The land is in fact tending towards depopulation because there is a steady drift of the young, the enterprising, and the more intelligent, into the industrial areas of Wales and England.

In 1954, there was formed by private, non-official initiative the Welsh Economic Development Council, "as a central body representing industrial and commercial concerns, farmers, trades unions, local authorities and others interested in promoting the economic development of Wales." One of the main objects of the W.E.D.C. is to draw the attention of English firms considering the erection of new factories to the advantages of putting them in the rural areas of Wales.

In other words, the W.E.D.C.'s argument is that industry should go where the workers are — which is in direct contradiction of the view expounded by the old school of economic historians who explained that the location of industry was dictated by hard economic facts, such as nearness to power. Industrial South Wales illustrates the classical theory. Here the iron, steel, tinplate, and coal industries grew up in the nineteenth century because of the location of coal and iron ore. To this previously scantily populated rural area a large labour force was attracted. Sixtyfive out of every hundred workers were dependent on these four traditional industries, which were dangerously concentrated on a narrow range of export markets. The inter-war years of bitter depression hit South Wales. In the pre-Keynes era, no one knew how to cope with deflation (any more than today we seem able to cope with inflation), and some 400,000 workers left South Wales for more prosperous parts. These were naturally the younger and more enterprising, and their departure disrupted homes and weakened the social structure. It was not until 1934 that the government hit on the daring idea of alleviating unemployment by trying to bring new industries to the workers.

PLANNING INDUSTRIAL LOCATION

As Peter Self points out in his booklet, "The Planning of Industrial Location" (Univ. of London, 1953, 2sh. 6d.), industry had become much more mobile in the course of the twentieth century. Naturally some industries, such as mining, are tied to given places. Also service industries, such as bakeries, shops, etc. are bound to a local market. Between these two extremes, however, there is a wide range of industries in which there is room for manoeuvre and the choice of location will depend on what balance is struck between such factors as location of (1) raw material supplies, (2) industrial techniques, skills, and equipment, and (3) distance from markets. Obviously if a raw material such as coal is bulky and costly to transport, it is cheaper to site industries near it. Other determinants are access to ports or railway or road networks. Coal has hitherto been the basis of U.K.'s wealth and all the main urban areas, except for the big ports, are built on coalfields. But power from gas and electricity grids, and road transport, have substantially modified the picture.

Once an industrial agglomeration of towns — a "conurbation" — has come into existence, it perpetuates its own growth, as we have seen notably in Bombay and Calcutta. The existing industries attract to themselves related industries. The accumulation of skill in one area, the economies of concentration, and good transport, all act as magnets to continuous expansion. As the size of the local market grows, it brings in a widening range of consumer industries. "The snowball effect of industrialisation," says Mr. Self, "has been responsible for piling up over 40 per cent of the population of England in six densely packed conurbations," which together contain 16.9 million people compared with 24.2 millions in the rest of England.

It has only been seen since efforts were first made in the late 1930's to inject new industries into the depressed areas to relieve unemployment that it has gradually begun to be realised that it is not inevitable that vast, amorphous conurbations of factories, suburbs, and slums should continue to be piled up. It is beginning to be realised that the advantages of economic concentration and of reservoirs of skilled labour may be more than counter-balanced by the staggering social and economic costs of congestion, which slows down production by transport or other bottle-necks, which decreases potential working hours by making millions of people spend hours travelling to and from work every day, which decreases efficiency by the pollution of the atmosphere and by causing avoidable fatigue to the population, and which piles up a huge individual, industrial, and national bill for ill-health. Moreover, the greater the city, the less social integration, the less community life there is. The individual's tendencies to irresponsible or anti-social conduct are strengthened because he is made to feel an obscure nonentity, of no importance to anyone but himself.

What brings out responsible, social, and patriotic behaviour is the individual's feeling of being needed by, or of belonging to, a family, caste, clan, civic centre, or other community with common interests and purposes. The smaller the city, the greater the opportunities for personal loyalties and for neighbourliness.

Hitherto, most people, and especially industrialists, while admitting the force of the arguments against conurbations, have shrugged their shoulders and said in effect "They already exist. Nothing can stop them from growing bigger. What can you do about it?"

BRINGING INDUSTRY TO THE WORKERS

The success, however, of Britain's efforts to bring industry to the workers wherever they are, by means of the Distribution of Industry Act of 1945, has thrown new light on these problems. The 1945 Act enabled

the Board of Trade to build factories and to lease them on advantageous terms, and even to advance funds to firms with insufficient capital but considered to have good long-term prospects. The Board was empowered, in certain circumstances, to refuse a building licence in an area held to be congested. In 1945, the Board of Trade estimated that the employment target for the Welsh Development Area should be 125,000 new factory jobs above the pre-war level. Since then, some 400 new firms have been persuaded into the area and the employment target achieved.

In the course of the experiment, the local officials of the Board of Trade have accumulated detailed knowledge of the special requirements in sites, power, labour supply, tool making, etc. etc., of innumerable industries, so that they have been of the greatest practical assistance in helping new firms to settle in smoothly, speedily, and with the least expenditure.

Firms employing skilled labour were reluctant to move to Wales, away from the congested areas where there existed a reservoir of labour with their particular skill, and perhaps the most interesting outcome of the 1945 Act has been to demonstrate that labour skills are not innate qualities among particular sections of the community but can be taught anyone, providing the teaching is done by trained teachers (that a man may be a skilled worker does not necessarily make him a good teacher). This point hardly needs elaboration in India now that it has been demonstrated that skilled fighting is not the monopoly of the "martial races".

Employers also find that their new-trained skilled labour is often more stable than the members of the reservoir of skilled workers in the old urban centres who are apt to wander from factory to factory, giving rise to absentee and turnover problems. Skilled workers, living in a small, integrated community of neighbours, will, if properly led by an enlightened management using modern personnel techniques, develop into a loyal team, indentifying their personal ambitions with the success of the factory.

Now that the Development Area of South Wales has been "comfortably industrialised", the Board of Trade and the Welsh Economic Development Council are beginning to divert new enterprises to the entirely rural areas of the west, centre, and north of Wales. For example, a £100,000 engineering factory is to be erected in rural Anglesey. Apart from an ample supply of healthy workers, other attractions are plentiful water, important for many industrial purposes, and the problem of power is solved by the electricity grid. In this last respect rural India is at a disadvantage, but a beginning could be made by pushing grids out in special areas designated as Rural Development Areas.

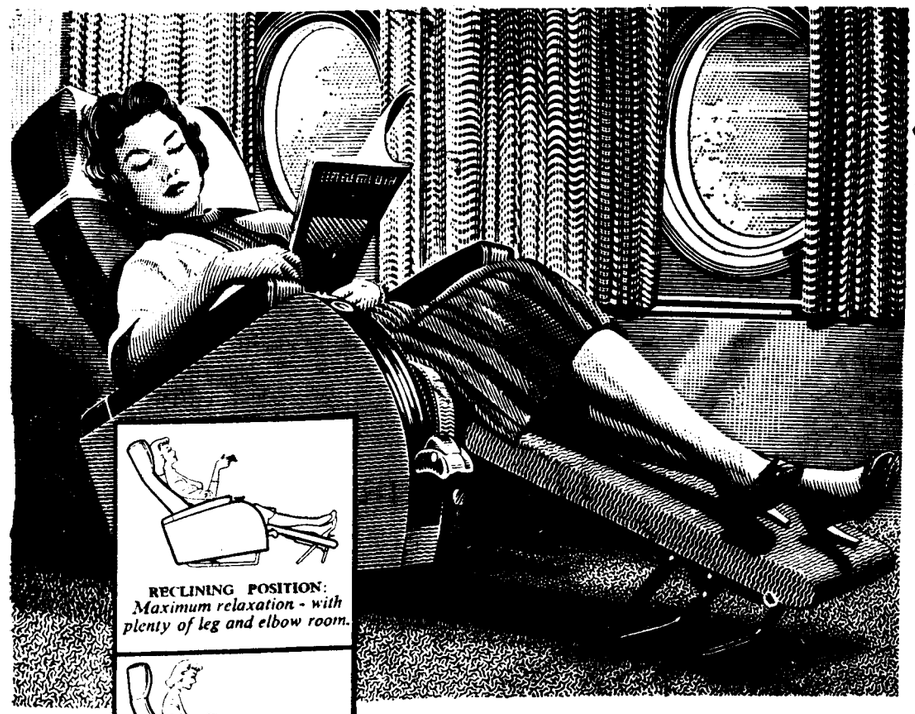
The British experiment in Wales proves that the vision of those who founded the Vallabh Vidyanagar — the rural university to promote industries in the Kaira district of Gujerat — and the hopes of those who are propounding Sarvodaya — with its emphasis on rural industries and rural self-help — are based on solid realities. The Sarvodayans and the directors of the Vidyanagar should send a study group to the U.K. to see what is actually being done to ruralise industry here.

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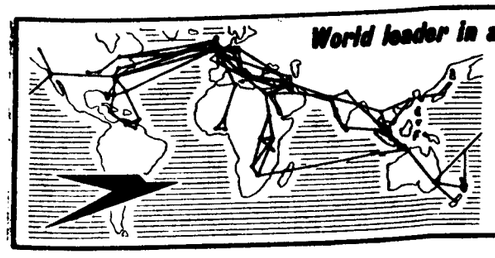
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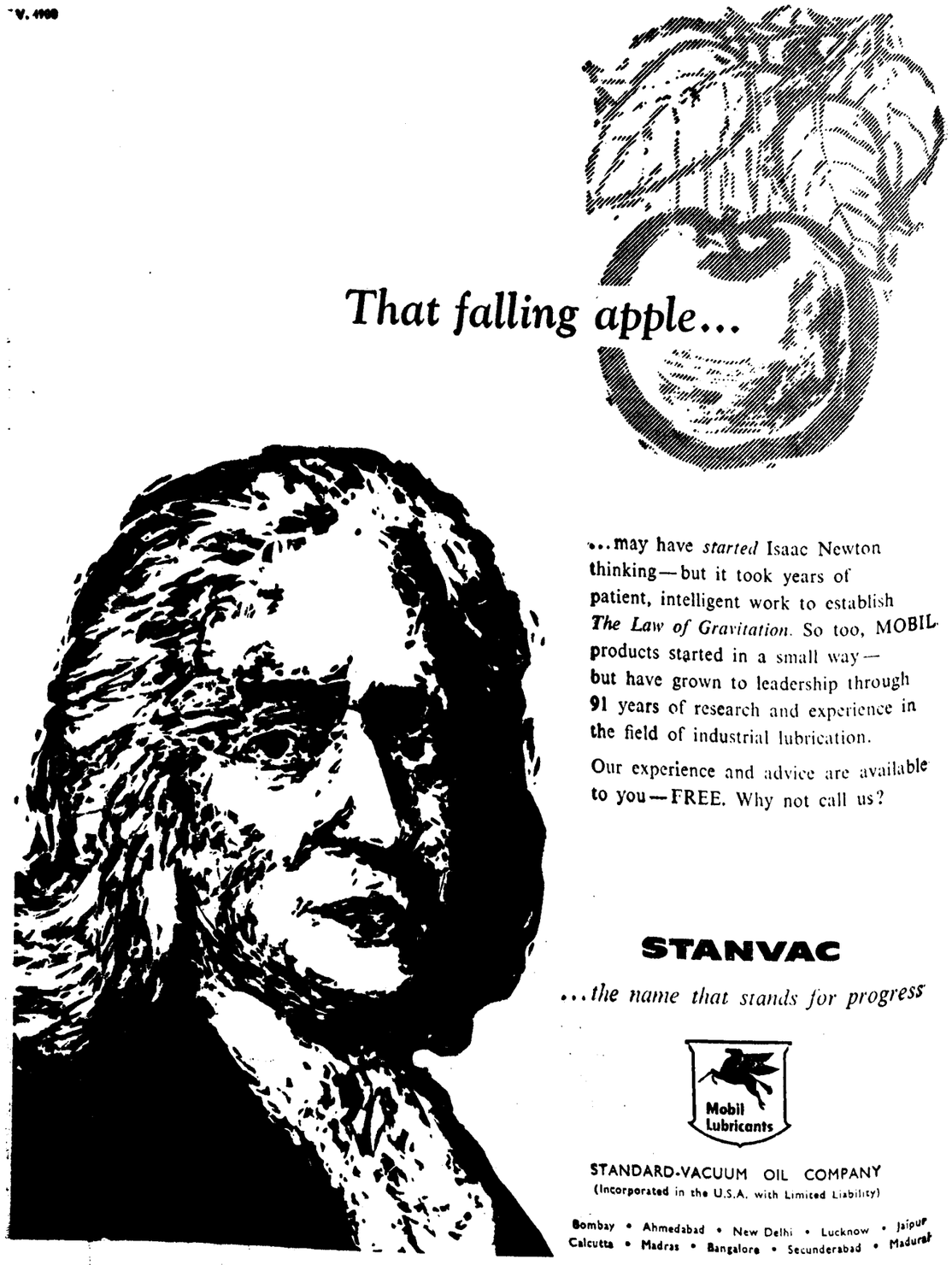
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The World Abroad:

LABOUR PRODUCTIVITY: A LESSON FROM JAPAN

THE Indian Productivity Delegation to Japan, led by Dr. Vikram A. Sarabhai, has carried out its assignment in a systematic and conscientious manner. This is the first impression one gets of the Delegation's report which bids fair to be more valuable for Indian Industry than the report of either the Krishnappa Delegation to China on Agricultural Planning and Techniques or the Patil Delegation on Chinese Co-operative Farming can ever be for Indian Agriculture. The substantive portions of the Sarabhai Report deal with the productivity movement in private industry in Japan against a relevant economic-industrial background.

This background highlights at the outset the industrial situation in Japan. The striking features of this situation are: 16 million out of a total labour force of 42 million (as of 1955) are employed in manufacturing industry, and of these 16 million industrial workers, 22 per cent are self-employed, 11 per cent are family workers and 67 per cent are employees; the category of small-scale industries in manufacturing industry employs 42 per cent of the total industrial workers and accounts for 22 per cent of the value of all industrial goods and the category of medium-scale industries employs 17 per cent of the total industrial workers and accounts for 16 per cent of the value of all industrial goods, while the category of large-scale industries employs 41 per cent of the total industrial workers and accounts for 62 per cent of the value of all industrial goods. The category of small-scale industries (covering firms employing less than 30 people) accounts for 94.4 per cent of the total number of industrial firms, the category of medium-scale industries (covering firms employing between 30 and 99 people) for 4.3 per cent and the category of large-scale industries (covering firms employing 100 or more people) for 1.3 per cent.

An idea of the high rate of industrial development in Japan may be obtained from the following table of manufacturing production index:

(1934-36 average = 100)

Year	Production Index
1951	115.1
1952	128.2
1953	159.7
1954	171 9
1955	190.0

Alongside of this increase in industrial production there has been a steady increase in productivity (that is, average production per worker). The following productivity index (based on 1934-36 = 100) bears this out:

	1949	1950	1951	1952	1953	1954	1955
Mining	46	53	64	64	73	77	—
Manufacture	54	68	90	101	125	133	153

This productivity index based on 1934-36 shows that there has come about a 50 per cent increase in labour productivity since those pre-war years. But an index based on 1947 (given elsewhere in this article) shows that there has come about a four-fold increase in labour productivity since that year.

This is something of an achievement which is attributed to the productivity movement in Japan. Industrial productivity in that country is thus high in comparison with other Asian countries although it is still low compared to that in advanced Western countries. The comparative position in respect of productivity, wages and per capita national income is brought out in the following table:

Country	Productivity or average production per worker in manufacturing industries (England = 100)	Wages per hour in 1953 in U.S. $ in manufacturing industries.	National Income per capita (1954 in U.S. $)	Rate of productivity in 1953. (Productivity index 1937 = 100)
Japan	34	0.21	193	123
U.S.	250	1.77	1,845	155
Canada	165	1.36	1,301	112
England	100	0.55	849	124
West Germany	81	0.39	567	114
Italy	—	0.27	324	166

It may be noted here that a rapid advance is being achieved in Japan in increasing productivity but that the increase over pre-war levels in still lower (as of 1953) than in the U.S.A.

What is of particular interest to India is not that productivity in Japan is still less than in Western countries but that the increase in productivity in that country has contributed, more or less 'pari passu,' to a continuous rise in real wages and to a striking improvement in the standard of living of the average industrial worker. The close relationship between labour productivity, real wages and standard of living is borne out by the following figures:

Year	Labour Productivity	Real Wage	Standard of living-consumption level
1947	100	100	100
1948	145	167	110
1949	186	212	120
1950	231	273	130
1951	294	300	139
1952	316	342	159
1953	370	368	178
1954	376	375	181
1955	428	398	187

The real wage index (based on 1934-36 = 100) in respect of the cotton spinning industry and of all manufacturing industries is given below to convey the extent of improvement since the pre-war years:

Year	Cotton Spinning Industry	All Manufacturing Industries
1934-36	100	100
1948	75	49
1949	84	66
1950	125	85
1951	128	92
1952	157	102
1953	164	107
1954	168	108
1955	181	115

This all-round improvement is largely the result of a productivity movement which was given concrete shape in the latter half of 1953 when the Federation of Economic Organisations, the Japan Federation of Employers' Association, the Japan Chamber of Commerce and Industry and the Japan Management Association jointly sponsored a round table conference of 19 different organisations of trade and industry. The "Japan Productivity Council" was set up following the conference. The movement acquired an official and national character when the increase of productivity in industry was adopted by the Japanese Government as a major policy in September 1954. Thereafter, the "Japan Productivity Council" was dissolved, and the "Japan Productivity Centre" was set up as a statutory body in March 1955. With the founding of this Centre an integrated productivity movement has come to function in Japan. The character of this movement, the lessons it holds for this country and are examined below.

The character of this movement may be judged from the basic difference between it and the pre-war movements of rationalisation and efficiency increase in Japan. The guiding principles of the movement are that it should be an instrument of betterment of the national economy and the national standard of living and thus be developed as a national movement with full understanding and support of every citizen; that although increased productivity would ultimately increase employment, pertinent measures should be taken to prevent transitional unemployment, if any; that the actual system for the increase of productivity based on each industry should be concerted by the joint efforts of management and labour; and that the results of productivity increase should be fairly distributed among capital, labour and consumers. In accepting the productivity movement and associating with the Japan Productivity Centre, representative organisations of the larger sections of Japanese labour have enunciated some more guiding principles which have come to be accepted by the Centre as supplementing its own principles.

These supplementary principles are: (i) The productivity movement does not aim at increasing the profits of industry by intensification of labour's burden, but on the contrary, it aims at improving labour conditions and real wages; (ii) the productivity drive is not such as to bring about the accumulation of capital but aims at the stabilisation of small and medium industry; (iii) all the results achieved through the productivity drive should be properly used for the reduction of prices, the improvement of labour conditions and the renewal of equipment; (iv) it is indispensable for the success of the productivity drive that industrial democracy and rational labour relations should be established; (v) as for the actual activities for the increase of productivity, labour agreements should be concluded between labour and management; (vi) the Japan Productivity Centre, in promoting the productivity movement, should adopt the opinions of labour unions interested; (vii) in order to obviate the possibility of unemployment and of changes in working places as the result of reorganisation of enterprises, Government and managements should take measures for all-round employment stabilisation, and in each individual enterprise employment should be maintained by shortening working hours and without lowering labour conditions.

The Japan Productivity Centre at the apex, the National Industry-wise Productivity Council, the Regional Productivity Centres, the Prefectural Productivity Council and other related organisations have been promoting the productivity movement within the broad framework of the aforesaid principles. The practical working of the movement in the context of management and labour problems is examined next.

On the practical side, the J.P.C. is carrying out, by stages, a number of projects for spreading the productivity movement. These projects are: Sending overseas productivity study groups; inviting foreign specialists on productivity; studying, investigating and disseminating information on scientific administration regarding production, sales, labour and management problems; implementing training programmes in respect of production, sales, labour and management; diagnosing and practical guidance of enterprise practices for the purpose of increasing productivity; studying and disseminating information on advanced foreign techniques; carrying out publicity for the purpose of increasing productivity; and collecting materials and data concerning productivity.

The J.P.C.'s Productivity Research Section which has been functioning since 1956 carries out research through various Committees, 'Situation Surveys', sponsored research and 'Model Factory'. Research through committees has only recently been started and reports are yet to be prepared. The methods of productivity increase, the method of sharing profits, the problems of productivity increase in relation to unemployment and over-population, all problems relating to processes intermediate between the manufacturer and the consumer, the relationship between Japanese export markets and future export possibilities, methods for improving the standard of machines and of precision machine-tools particularly in relation to medium and small-scale industry, the preparation of a standard form of labour agreement, the three S's (simplification, standardisation and specialisation) in relation to the iron and steel industry, automobiles, ship-building and architecture—all these are the subjects of study by the respective committees. A. 'Situation Survey' has also been conducted by the Research Section for collecting information from foremen by questionnaire in 1,700 enterprises to date and by interview in 18 factories in the Tokyo area. Sponsored research at various institutes and universities has included analysis of fluctuating elements of labour productivity and its effects, and study of relationship between productivity and labour and management. The research section is also taking up two factories as models for preparation of a draft code of practices.

With such a wide range of activities to its credit, the J.P.C. has already spread the productivity consciousness in Japan to a great extent. This consciousness is growing among both employers and employees, and the productivity movement is rapidly gaining momentum. The success to date is not a little due to the active co-operation of the larger sections of labour. That labour's co-operation can be easily had if it is enabled to see the benefits of the productivity drive, is the supreme lesson from Japan. There is every reason to believe that Indian labour will take to it kindly if politics (which is a consuming passion with people generally in this country) can somehow be restrained in the field of trade unionism.

YUGOSLAVIA'S STAND AGAINST SELF-SUFFICIENCY

WHAT follows is the account of an interview with Dr. Vladimir Valebit, State Under-Secretary in the Yugoslav Foreign Office. Dr. Valebit, it may be recalled, was Deputy Foreign Minister till his appointment as Yugoslav Ambassador to Rome and London. The interview in the form of questions and answers has been sent us by a Yugoslav correspondent.

Q: What are the principles underlying Yugoslavia's economic relations with foreign countries?

A: Relations between nations, whether political or economic, have their root in the recognition that the gradual progress of mankind is possible only on the basis of co-operation the forms content and intensity of which are determined by the degree of historical development. In our era the conviction has prevailed that wider economic relations among nations are desirable and even necessary, but I would not venture to say that an agreement has been reached as to the principles on which such relations should be founded. As a founder member of UNO, Yugoslavia naturally accepts in the first place the basic principles underlying the UNO charter, and the Statutes and Regulations of the Organisation and Agencies arising from and pertaining to it. It seems to me that in this conjunction the foremost principle is the equality of rights of all nations. Yugoslavia, however, goes beyond this and proclaims the necessity of recognising the principle of aid to poor and undeveloped countries by the international community. In trade relations, which are a part of economic relations, Yugoslavia has for her starting point the recognition of international division of labour and the necessity of exchanging the products of such labour to the mutual advantage of the partners concerned. Accordingly, we accept and treat the principle of free exchanges of goods and refute the opposite principle of self-sufficiency and economic isolation.

Starting from the view-point that the scientific and technical achievements should benefit all people, we defend and implement the principle of scientific and technical collaboration among nations.

Q: Yugoslavia has so far based her trade with foreign countries primarily on a bilateral system of payments. What is Yugoslavia's present attitude in respect of multilateralism in international payments?

A: The last war, a rapid industrialisation of our country and some other reasons and circumstances have caused some disturbances and difficulties in our economy. In order to overcome these difficulties more rapidly and with greater ease we resorted to the system of bilateral payments agreements. I consider it is unnecessary to mention that for the same or similar reasons many other countries adopted the same course. Ever since this bilateral system was introduced we had considered that this was a temporary measure. We did not adopt it as the realisation of an objective to which we are aspiring, but as a necessary means by which we should be able to efficiently overcome the obstacles in the way of a greater impetus to international trade. As soon as it is possible to waive the bilateral system without impairing the achieved volume and pattern of foreign trade, we are ready to do so. Because of the differences in trade with different countries, the abolition of the bilateral system and the introduction of a multilateral system of payments can only take place gradually and with caution in order to avoid unnecessary damage. In my opinion this method of approaching the problem of gradual transition to the multilateral system best suits the interests of our foreign trade, and I believe we shall adhere to this method in the future, too.

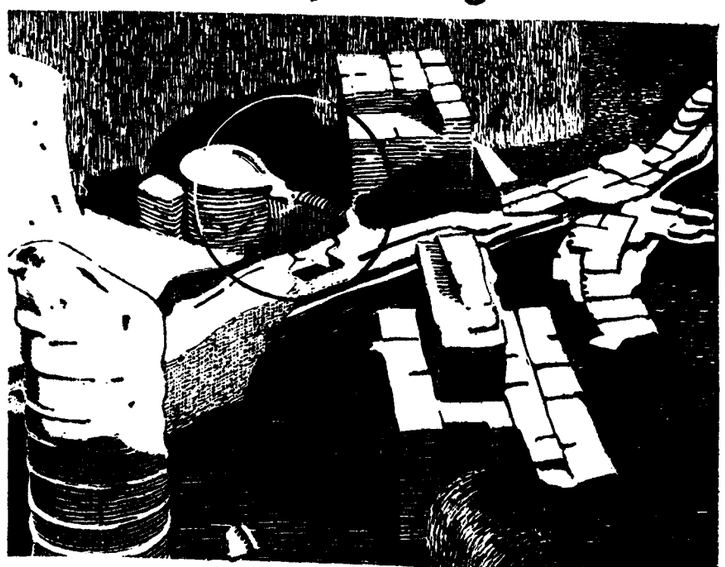
Q: What importance does Yugoslavia attach to the liberalised regime granted her by some OEEC countries? How much has this contributed to the expansion of trade and what are the prospects in this respect?

A: The liberalised regime proposed by some OEEC country-members to be applied to Yugoslavia has had a considerable effect and has undoubtedly contributed to the expansion of trade with such countries. In addition to the immediate effects of abolishing some administrative restrictions and complications which had an unfavourable effect on the rate and volume of traffic, this has had an important psychological effect, which, however, has not yet been generally realised. The very fact that some countries liberalised their trade controls in respect of Yugoslavia seems to indicate their friendly attentions and their interest in trading with us. Yugoslav business circles received this with satisfaction, and it will encourage them to increase trade with such countries.

Q: In addition to Europe which has always been Yugoslavia's largest foreign trade partner the year 1956 has shown a pronounced strengthening of economic relations with the Far and Near East countries. Could you please explain in more detail these developments and their future prospects?

A. Our country's comparatively weak economic relations with the Far and Near East countries are a reflection of the heritage from the past or the economic under-development of our country. Naturally, before the last war non-industrial and agriculturally backward Yugoslavia could not be an economic partner of the Asian countries who, because of their own economic pattern, sought to trade with industrially developed countries who could offer them the goods they needed. With the gradual strengthening of our industry in the direction of producing industrial goods for the export market this position has started changing. The lack of tradition in our country's trade with Asian countries, the lack of mutual knowledge of the markets, unfamiliarity with our possibilities and equality, continue to be a negative element in these relations. However, I wish to stress with pleasure that our economic connections with the Asian countries show a definite tendency of strengthening and increase. On the basis of results already obtained I consider that optimism is justified and there is no doubt that there are favourable prospects of a further intensification and increase of our trade with Asia.

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Brahmanabad

Inside a house excavated at Brahmanabad in Sind, has been found an interesting piece of earthenware tubing. A basin like altar which probably served as the seat for bathing some household deity, is connected by this tubing to a covered drain. This tubing unlike other pipework found at various sites of the Indus Civilisation, has a corrugated outer surface, obviously as a safety measure against breakage.

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THE THREAT TO THE FRANC

(From Our Special West European Correspondent)

PARIS, May 25.

FRANCE's holdings of gold and foreign currencies fell heavily during 1956 (a balance of payments deficit for the year of $840 millions), and have continued to fall even more spectacularly in the first few months of this year. The Bank of France holds 765 tons of gold. In addition the country now has only $200 million, which at the present rate of expenditure equals only two months' deficit. Obviously, France is perilously close to international brankruptcy. In the face of such figures, one would be entitled to forecast an early devaluation of the currency but the franc has performed the balancing trick so long that the most pessimistic observer hesitates to announce that the hour of reckoning has at last arrived. The most one can say is that a devaluation is unlikely to intervene before September of this year, but that herculean efforts will be needed to postpone it much beyond that date.

Everyone knows that the French franc is chronically overvalued and that the difference between French and foreign prices is roughly 20 per cent. But this has been the case for some years past, and it is not that that has brought the currency to its present parlous straits. The causes of the recent exhaustion of gold and dollar reserves were accidental or at least temporary: the 1956 frosts, Suez, reduction of U.S. military expenditure in France and the continued boom in France's industry. These factors are either not likely to repeat themselves or will in time bring compensating benefits to the trade balance. So the temptation is naturally to hang out as long as possible, eating well into the gold reserves, rather than admit the defeat of devaluation. This is all the more true because France is now playing a gigantic gamble, both politically and economically: the gamble on the Sahara petrol. This should begin to pay off around 1961, and all the country's problems are conceived in terms of holding out till then. But the recent strain on the reserves has been so severe that one must doubt whether the franc can retain its present value so long; certainly it cannot without substantial foreign aid.

The mechanism by which the franc has been held at its unreal value despite the wide difference in French and foreign prices makes devaluation to some extent less likely. This mechanism consists in a complicated combination of export subsidies financed by import taxes and this system has many of the effects of a devaluation without the inconvenience of admitting that the franc is overvalued. Naturally, this trickery arouses the anger of France's commercial competitors, for it is an infringement of at least the spirit of several international treaties; for instance, it is only the unfair export subsidies that enable the French jute mill industry to underquote Calcutta from time to time in dollar markets. It is quite unlikely that these offended parties would tolerate both a devaluation of the franc and a continuance of this system, but if she had to abandon the latter in order to devalue, France would gain so little from the operation that she recoils from a devaluation that other countries would accept as inevitable. Moreover, most of the imports whose prices would be increased by a devaluation are raw materials for booming French industry, so on that side of the account a devaluation would have very doubtful benefits.

The factors that are imposing a strain on the franc can readily be listed in order of importance. The first, by far and away, is the increase in imports of raw materials for industry. This is due to the fact that the volume of French industrial production rose by 8½ per cent in 1954, by 9.2 per cent in 1955, by 11 per cent in 1956 and will probably rise this year by a further 10-11 per cent. The administration is, of course, reluctant to do anything to put the brakes on this expansion, for it took so much effort to get it going that if it were stopped no one could say when it would begin again. The domestic inflation has led producers who are achieving these output increases to be satisfied with the home market rather than to make the unaccustomed effort of promoting exports; at the best of times, the French industrialist is notably less export-conscious than his British or West German counterpart.

The next most important strain, until recent months, has been food imports. These were increased by the cruel winter of 1956 and their adverse effects are by now probably spent. The very mild winter of 1957 has meant bigger crops (100 million quintals of wheat this year against only 56 million last year), so with resumed wheat exports to Germany, the food account will this year be favourable rather than deficit. But the strain eased on this head has been more than replaced by the cost of fuel imports as a consequence of Suez — a cost not diminished by France's stubborn refusal to bend her neck to Nasser's yoke with the same willingness as Britain. Another substantial burden on the franc is the importation of military equipment for the war in Algeria; these purchases, mostly in dollars, increased last year and promise a further big rise this year. Here again stubbornness in pursuing a war that cannot be won appears as a threat to the currency. Alongside these "political" factors, the element of consumer imports, which one might expect to find as the main factor in a currency unbalance, are virtually negligible. In any case, consumer imports cannot be cut without infringing commercial agreements (remember that France is supposed to be promoting a common European market!) and thus further limiting exports.

Apart from the balance of trade, there are tourism, US military expenditure and the repayment of foreign debts. Tourism, which is France's biggest "export" industry, will probably bring in the usual quantities of foreign exchange this summer, for the petrol shortage has by now passed its peak. Incidentally, it is the importance of the tourist trade that makes it sure that even an inevitable devaluation would be postponed until the autumn so as not to lose the benefit of the country's biggest currency-earning season. "Involuntary tourism", or the expenditure of U.S. troops stationed in the country, is as important for France as for Britain (it is Britain's biggest dollar-earner), but US outlays are to be reduced heavily this year. Finally, France has to repay $300 million of foreign debts this year and will have to make equal payments in each of the next few years.

So although it is a chapter of accidents that has brought the franc to the brink, the fact remains that reserves are now so exiguous that there is very little room to manoeuvre, even if the gold stocks are eaten into. The commitment to repay $300 million in foreign debts each year will absorb, by itself, any savings that can be made by undertaking a cautious deflation at home. Yet it is precisely now that France needs a little room to manoeuvre for, as I have said, she is playing the Sahara petrol gamble which should come off by 1961. The French steel industry is making great efforts to hasten the production of pipelines and it is not too optimistic to forecast that within four years French North Africa will be supplying 10 million tons of fuel. And 10 million tons of fuel will take 200 million dollars off the trade deficit. If the Algerian and West African iron deposits are producing by then, the French balance of payments will be assured. But what is to sustain the franc between now and 1961?

Surely not American aid. Algeria is not the dollar-mine that Indo-China was, and besides, Congress has just reduced President Eisenhower's foreign aid programme. But France has a neighbour who could very well afford to supply the limited-term credit in foreign currencies she needs. This is West Germany, whose currency reserves now stand at $3,600 million and they are increasing by $100 million each month. West Germany, moreover, is a creditor in the European Payments Union to the extent of $755 million; and she is France's biggest customer as well as her second supplier after the USA. But it would be a bitter blow to French pride, bitterer even than those lately administered by Nasser, to have to beg a loan in West Germany to support the franc — quite apart from the fact that Bonn makes no secret of its irritation at the continuing overvaluation of the French currency. Yet a foreign loan has to come from somewhere soon if the booming, prosperous and expanding French economy is not to be declared internationally bankrupt just when it is in sight of resolving its balance of payments problems once and for all.

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WORLDGRAM

AGRICULTURE

Sea-Island Cotton Scheme: The Government of India have sanctioned a co-ordinated scheme for the production of Sea-Island Cotton in the States of Kerala, Mysore and Assam for a period of 5 years, beginning May 1957. The objects of the scheme which will cost Rs. 6 lakhs are:

1. To survey areas suitable for cultivation of Sea-Island cotton in the three States;
2. To cultivate Sea-Island variety "Andrews" in an area of 3 lakh acres to produce about 2.25 lakh bales of staple cotton;
3. To improve the fibre strength and ginning percentage of "Andrews" by selection and make the cotton more remunerative and suitable for spinning 80's counts;
4. To conduct agronomic research to improve the yield and quality of "Andrews" in all the three States;
5. To arrange for ginning and marketing of the produce.

*

Indo-US Agricultural Commodities Agreement: In a written reply to a question in the Lok Sabha recently regarding commodities so far received under the Agricultural Commodities Agreement which India had entered into with the United States last year, Shri Ajit Prasad Jain, Minister for Food and Agriculture, laid the following statement on the Table of the Sabha: "Commodities received up to 30-4-57 with their quantities and values:

	Quantity	Value (C & F) (Lakhs of Rs.)
Wheat	7,41,000 tons	3,079
Rice	1,33,000 tons	1,038
Cotton	88,149 bales of 480 lbs. each	7,44

GRANTS AND LOANS Nil so far. Out of the rupee proceeds of the commodities to be received under the Agreement, namely wheat, rice, cotton, tobacco and dairy products a grant of $54 million and a loan of $234.1 million will be given to India after the Loan Agreement has been signed and the projects on which it is to be utilised are mutually agreed upon by the Government of India and the Government of USA.

*

G.M.F. Schemes in Andhra Pradesh for 1957-58: A total amount of Rs. 165.19 lakhs has been sanctioned by the Centre for grow more food schemes in Andhra Pradesh as loan and subsidy for the year 1957-58. In addition, a short-term loan of Rs. 531.5 lakhs has been approved, of which Rs. 404.00 lakhs are earmarked for distribution of 1.08 lakh tons of ammonium sulphate, 10,000 tons of urea and 1,000 tons of ammonium sulphate, nitrate to the cultivators. For supply of paddy fertilizer mixture, ammonium sulphate and superphosphate, a short-term loan of Rs. 127.50 lakhs and a subsidy of Rs. 1 lakh was also accepted. The schemes for manure and compost include purchase of capital equipment for collection of urban compost and production of compost from night soil through 500 panchayats, for which a loan of Rs. 13 lakhs has been approved. A subsidy of Rs. 1,77,646 has also been approved for a model scheme for exploiting local manurial resources in 61 blocks in the State. Other schemes included in the grow more food programme generally relate to land reclamation, irrigation, distribution of improved seeds, control of pests and diseases and supply of manure and compost to cultivators.

Central Grant for G.M.F. Schemes in Manipur: A sum of Rs. 4,500 has been sanctioned by the Government of India for grow more food schemes in Manipur State for 1957-58.

The grant for subsidised sale of improved seeds and crops amounts to Rs. 500—the Central subsidy being Rs. 2.50 per maund for 200 maunds of improved seeds required by the State. For plant protection work, the Centre has allocated Rs. 3,250, and for supply of phosphatic fertilizers Rs. 750.

A Centrally administered territory, Manipur has a cultivated area of about 2 lakh acres mostly under cereals.

*

Community Projects in Punjab: The total outlay incurred in the Community Project in Gurdaspur district, Punjab, up to January 31, 1957, amounted to about Rs. 53 lakhs. The outlay incurred in connection with the establishment in the Project up to the same date, was Rs. 6,08,435. The following are figures in respect of other Projects in Punjab: Jagadhri in Ambala District, Rs. 5,47,486 up to September, 1956; Nawanshahr in Jullundur District, Rs. 5,78,088 up to January, 1957; Sonepat in Rohtak District, Rs. 5,72,774 up to December, 1956; and Dhuri in Sangrur District, 6,65,506 up to September, 1956.

INDUSTRY

DDT Factories in Delhi and Kerala: The second DDT factory, being set up by the Government of India in Kerala, is expected to go into production by the middle of 1958. The contract for the supply and installation of the plant and machinery for this factory, including the construction of the requisite buildings and structures, had been awarded on a turn-key basis to an American firm. The first consignment of the machinery and equipment had arrived at Cochin Port and was under clearance. Construction of the main factory building and other subsidiary buildings was in progress. Regarding the expansion of the DDT factory in Delhi, it is reported a substantial part of the equipment required for expansion had arrived at the site. The installation of the equipment and construction of the requisite building was in progress. The entire project was expected to be completed by the end of this year.

*

Coal Washing Plant at Kargali: Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, revealed recently, the progress made in regard to the installation of coal washing plant at Kargali. It was pointed out that the plant and equipment required for the washery had been fabricated in Japan. "One-fourth of the plant and equipment has so far been received at the site, and the remaining portion is expected to be received within the next few months, in time for the timely completion of the project. Fifty per cent of the structural work has been completed at the site." No delay was anticipated in the receipt of the plant and equipment in time, said the Minister and added that the plant was likely to be commissioned by about January 1958.

*

Hindustan Housing Factory: Shri Anil K. Chanda, Deputy Minister, Works, Housing and Supply, stated in Rajya Sabha recently that the Union Government proposed to continue to run the Hindustan Housing Factory Ltd. He added that Government took over complete control of the Factory on August 16, 1955. From that day to the close of the Company's financial year on July 31, 1956, the Factory made a net profit of Rs. 5,813-13-0 which, however, had gone to reduce the losses of Rs. 5 lakhs incurred by Government during

its partnership with Messrs. Basakha Singh-Wallenberg Ltd.

*

Manufacture of Railway Wagons in India: Questioned in the Rajya Sabha by Dr. Raghubir Singh, whether Government have any proposal to license engineering firms for manufacturing railway wagons, the Deputy Minister for Railways, Shri Shah Nawaz Khan, replied in the affirmative. He further stated that in all 15 factories would be set up--8 in the Northern, 3 in the Western, 2 in the Southern and 2 in the Eastern areas of the country. Each of these factories is to develop capacity up to 1000 wagons annually, except one which has to develop annual capacity up to 400 wagons only.

TRADE

Indo-Tibetan Trade: The total exports from India to Tibet in 1956-57 were valued at Rs. 3,17,60,000. The value of imports from Tibet during the same period was Rs. 72,94,000. As for the special steps being taken to encourage Indo-Tibetan trade, it is stated that the Indian Trade Agent and his staff continued to lend a helping hand to the Indian traders. The question of solving payment and other difficulties had been taken up at the inter-governmental level.

*

Export of Madras and Mysore Silk Waste: The Government of India have decided to release a quota of 2,84,000 lbs. of Madras/Mysore silkwaste for export up to the end of September, 1957. Details of the licensing procedure are being notified by the Joint Chief Controller of Imports and Exports, Madras.

*

Import of Cotton Against Special Payment Procedure: Replying to a question by Shri M. Valiulla in the Rajya Sabha, the Minister for Commerce, Shri Nityanand Kanungo, said that Government had decided to issue permits for the import of cotton against a special payment procedure. Explaining the broad outlines of the procedure, Shri Kanungo said that it provided for import of cotton against contracts approved by the Textile Commissioner and registered with the State Trading Corporation. Payments against such contracts, he said, would be made in Indian Rupees into a special account of the S.T.C. and the sale proceeds would be used to finance Egyptian purchases from India.

*

Export of Vegetable Non-essential Oils: In February 1957, a simplified procedure for export of Vegetable Non-essential Oils ex-India was put into Operation. With the enhancement of the rate of excise duty on such oils, the amount of rebate of excise duty payable to the exporters shall with effect from May 16, 1957, be five-seventh of the duty actually paid.

Imports and Exports at Calcutta Port: The total tonnage of imports and exports which passed through the port of Calcutta during 1955-56 and 1956-57 were, 8,030,735 tons and 8,869,210 tons, respectively, Shri Raj Bahadur, Minister of Shipping, stated in a written reply to Shri D. C. Sharma in Lok Sabha, recently.

Important commodities imported and exported from Calcutta during the same period were:

IMPORTS: Cement, chemicals, salt, grain, iron and steel and other metals, machinery, railway plant and materials, and oils and oilman stores.

EXPORTS: Coal,: gunnies, ores, tea, scrap, and lac.

FINANCE

India's Foreign Exchange Reserves: The Finance Minister, Shri T. T. Krishnamachari, told Shri D. C. Sharma at question time in the Lok Sabha recently that at the beginning of April this year, India's net foreign exchange reserves stood at Rs. 563.27 crores. At the beginning of May this year, sterling balances, which constituted the major portion of these reserves, amounted to Rs. 496.42 crores. This included a drawal of Rs. 60.7 crores from the International Monetary Fund during last February-March. The Finance Minister added that at the beginning of May last year, the net foreign exchange reserves stood at Rs. 751.36 crores. Of this the sterling balances amounted to Rs. 721.50 crores.

*

I.F.C. Loans: The Industrial Finance Corporation disbursed loans amounting to Rs. 24,75,32,259 since its inception up to May 10, this year. The disbursement was made to 113 industrial concerns in 15 States. This information was given in the Rajya Sabha by the Finance Minister, Shri T. T. Krishnamachari, in a written reply to a question by Shri Nawab Singh Chauhan. The Minister added that the Corporation sanctioned loans only to industrial concerns as defined in the I.F.C. Act and not to State Governments.

*

UN Technical Assistance for India: A sum of $2,344,500 has been allotted to India for 1957 under the UN Expanded Technical Assistance Programme. The assistance is by way of the services of exports, equipment ancillary to their services and training facilities in foreign countries.

*

NIDC Loans for Jute and Cotton Mills: In a written reply to a question by Shri M. Govinda Reddy in the Rajya Sabha recently, the Minister for Commerce and Industry, Shri Morarji Desai, said that the National Industrial Development Corporation had approved in principle loans to four jute mills and a cotton mill. Formalities had been completed in respect of two jute loans and about Rs. 46 lakhs had been paid in instalments. Explaining the terms under which such loans are granted, Shri Morarji Desai said that the loans carried an interest at 4½ per cent per year and were repayable in 15 annual instalments. The loans were secured by a mortgage of the assets of the borrowing company. The NIDC retained the right to have a nominee on the Board of Directors of the borrowing company.

*

Central Loans to States: The amount of outstanding interest-bearing central loans against the various states, as on March 31, 1957 was Rs. 1030 crores. The amount outstanding against others on the same date was Rs. 157 crores. The rates of interest varied in each case, depending upon the period of the loan and the market rates prevailing at the time it was sanctioned.

GENERAL

Oil and Petrol Production in India: The import of petrol has decreased considerably as a result of the setting up of refineries in the country, said Shri K. D. Malaviya, Union Minister for Mines and Oil, in reply to a question by Shri Bishwa Nath Roy in the Lok Sabha recently.

The comparative import figures in gallons, as given by the Minister are: 269,674,238 in 1953-54; 215,764,975 in 1954-55; 75,387,825 in 1955-56; and 28,571,613 in 1956-57 (April to December 1956). Crude oil was being imported, for the refineries as there was no increase in the production of indigenous crude.

*

Filaria Control Measures: Sixty-five Filaria Control units are proposed to be set up during the second Five-Year Plan and 20 of these have already been allotted to the participating States. Thirty-three Filaria Control units and 22 Survey units had already been set up in eleven States. The population surveyed was 1,49,53,626, the number of persons treated 8,62,934 and the number of houses sprayed with insecticides 2,72,406.

NEWS IN BRIEF

INDIAN

India's sterling balances on May 3, 1957, amounted to Rs. 496.42 crores. Since May 1956, the sterling balances were being withdrawn on an average of about Rs. 24 crores a month.

*

It is reported an order for a textile mill of 12,000 spindles will be placed with the Soviet Union on a deferred payment basis.

*

The French and Indian Governments have reached agreement in principle on French participation in India's Five-Year Plan.

*

The Minister for Commerce, Shri Nityanand Kanungo, stated in the Rajya Sabha that by the end of March 1957, 8,92,940 handlooms had been registered. Of these 4,32,603 had been registered in Madras 2,32,475 in Uttar Pradesh, 68,485 in Bihar, and 50,120 in Bombay.

*

According to the Finance Bill introduced in Parliament the excise duty on cement has been increased from Rs. 5 per ton to Rs. 20 per ton.

*

The Government of India have increased the prices of various controlled categories of steel by Rs. 70 uniformally. The increase has been necessitated following the announcement of increase in the rate of excise duty leviable on steel ingots.

*

The Indian Standard Institution has circulated for eliciting comments, a draft Indian standard specification for pressed steel tanks.

*

Shri S. K. Dey, Union Minister for community Development revealed in the Lok Sabha recently that the approximate amount to be spent for each of the 20 small Industrial Estates proposed to be set up at Community Development Block Headquarters was Rs. 2 to 3 lakhs.

*

The goods India bought from Britain last month were worth over £1,000,000 more than in April, 1956. Her purchases this April totalled in value £14,822,764 as against £13,171,931 in the same month last year.

*

Loans amounting to Rs. 533.215 lakhs in 1955-56 and Rs. 369.14 lakhs in 1956-57 were sanctioned to 15 states in connection with national water supply and sanitation programmes in the urban areas.

*

Thirty-two thousand two hundred and sixty one workers obtained refund of their provident fund accumulations, amounting to Rs. 74.90 lakhs, under the Employees Provident Fund Scheme during 1956-57.

*

A new record of concrete placement was achieved at the Bhakra Dam during April this year. About 1,63,820 cubic yards of concrete were placed, bringing the total up to the end of the month to 13,46,566 cubic yards.

*

The total Life Insurance business transacted in 1956 amounted to about Rs. 200 crores. The figures from January 1, 1956 to August 31, 1956 were Rs. 145.1 crores and those from September 1, 1956 to December 31, 1956 were Rs. 54.76 crores.

FOREIGN

The Dutch Chemical Industry is maintaining a high rate of investment, following a big rise in output last year. The increase in production in 1956 was chiefly the result of higher domestic sales which gained by 15 per cent as against a rise in export of 6 per cent.

*

The Greek Government has announced a major five-year electrification programme. The plan will be carried out by the Public Power Corporation, which at present serves continental Greece with the exception of the Athens-Piraeus area.

*

Australia will seek the imposition of realistic quotas on foreign meat imported into Britain in negotiations in London early in June.

*

The Board of Administrators of the rubber industry replanting scheme has announced that rubber estates in the Federation of Malaya may apply for grants, fixed at $M400 (£46) an acre, for planting for next year. The grant will cover 21 per cent of the acreage planted at the end of 1954, the maximum under the scheme.

*

The rapid recovery in agricultural tractor production and exports is being maintained. Record outputs have been achieved or nearly reached, at a number of plants, and leading manufacturers now have accumulated orders representing between 5 and 14 weeks production.

*

U.K. output of tinplate is rising sharply. Total production this year is expected to be over 20 per cent higher than in 1956.

*

The Ghana Government will spend £40 million in 1957-58 about £25 million less than this year according to draft estimates.

*

It is reported talks are in progress between West German banks and the Federal Association of German Industries with a view to raising a £30 million to £40 million special fund for the long term financing of exports.

*

Canada made 4.6 per cent more newsprint in the first quarter than last year. Output was 2,206,574 against 2,109,277 tons. In April production 7 per cent on last April, being 554,849 tons compared with 518,389 tons.

*

The Swiss National Bank has raised the Bank Rate from 1½ to 2½ per cent with effect from May 15 — the first change since November 26, 1936. It also decided to raise the interest rate on secured credits from 2½ to 3½ per cent.

*

Russia has offered a long-term credit equivalent to $5 million to the Turkish Real Estate Bank for the purchase of Soviet road construction machinery and construction materials.

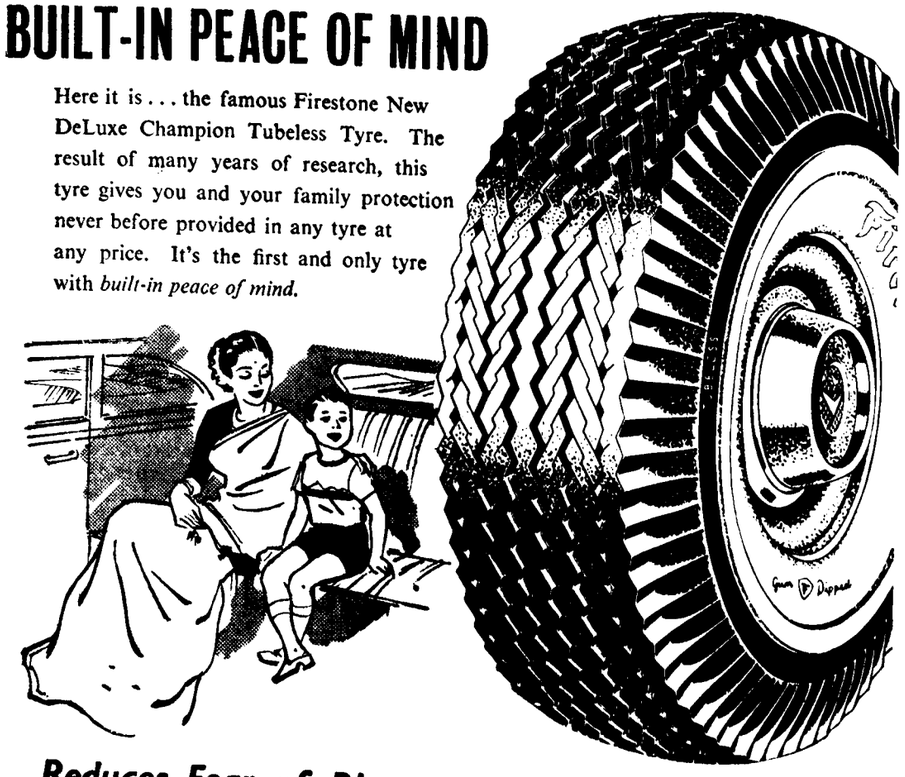
*

National production of goods and services in U.S.A. ran at a record annual rate of $427,100 million in the first quarter of 1957.

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Special Article

WAGE BOARD FOR THE TEXTILE INDUSTRY

(By a Special Correspondent)

A FEW weeks ago, the Government of India announced the appointment of a seven-member Central Wage Board for cotton textiles with a view to working out a wage structure for the industry based on principles of "Fair Wages". The Government's action is in consonance with the general recommendations of the Planning Commission for the establishment of such bodies to undertake wage investigations in the industrial sector. At its annual session in 1956, the Indian National Trade Union Congress demanded a general increase in wages and called for the appointment of Wage Boards for the purpose. The reactions of employers in the cotton mill industry to the Union's demand were clear and positive. They were willing to co-operate in the investigation and are prepared to do so now.

The point for consideration, however, is not so much the volition of employers as the appropriateness or otherwise of appointing such a body at this juncture. In the first place, the Government of India has not yet evolved a well-considered and comprehensive wage policy for the industrial sector as a whole and, unless this is done, any piecemeal attacks on the problem by singling out a few industries for wage revision will only create more complications.

Secondly, the present does not appear to be a propitious moment for undertaking such a far-reaching reform. There is universal appreciation of the need for creating a wider scope and more favourable conditions for investment in the economy in order to ensure the country's rapid progress. The industrial sector, which has an outstanding part to play in the realisation of this goal, will not be able to function effectively if it is faced with a continual depletion of its resources. In the present state of India's economy, wage restraint is among the indispensable pre-conditions to its speedy development.

Thirdly, it is not clear why, of all industries, the cotton mill industry has been selected for purposes of wage investigation. It certainly cannot be argued that the persons employed in this industry are being inadequately remunerated. In fact, since independence, there has been a considerable advance in their social and economic well-being. The various welfare measures adopted in recent years are designed to give adequate economic security to the worker in the event of unemployment, sickness and disablement and when he becomes old. The achievement of generations in other countries has been telescoped into a few years in India.

Besides far-reaching social legislation, there has been a steady rise in the level of the workers' wages. For instance, the average monthly basic wage of the cotton mill worker of Bombay has increased from Rs 44 to Rs. 49-1 since 1947. Together with dearness allowance, bonus and other emoluments, his total annual earnings amount approximately to Rs. 1,600, which is much higher than the 'per capita' income in the country.

In these circumstances, it is difficult to appreciate the propriety of appointing a wage board for cotton textiles. It may be that, sooner or later, similar bodies will be set up for a few more organised industries, but such a course of action cannot obviate the need for a comprehensive examination of the wage question in the entire organised industrial sector at the appropriate time. Such an investigation concerning the living standards and earnings of some twenty-seven lakh persons cannot be completed in haste. Nor can the issue of higher wages be isolated from such considerations as the capacity of industry to pay and the level of income in the other sectors of the economy.

It will not be in the best interests of the country to ignore these considerations or to give cause for the feeling that the Government responds only to pressure. **The industrial workers represent but an infinitesimal fraction of the country's population of 380 million and yet they receive a disproportionately bigger share of the Government's attention, while the plight of the vast numbers of agricultural labourers has remained almost unchanged.** Surely, it cannot be the intention of the Government to accord preferential treatment to any one section of the community merely because it is better organised than the other elements of the population.

Moreover, it is wrong to suppose that the size of the pay packet always truly reflects its buying capacity. If prices play truant and cannot be stabilized, the benefits accruing from increased wages will only be nominal and may even turn out to be illusory. Indeed, it will be possible to attain the "plateau of stability", so ardently desired by planners, only when the price index remains steady over a period of years. Such stable conditions can, however, be brought into existence by a rise in national income accompanied by a substantial increase in production.

Unfortunately, we have not yet reached that happy position. Shortages threaten us from almost all directions. At the present moment, there is food scarcity in the country and the Government is hard put to it to ensure adequate supplies at economic prices. Food constitutes a major item in the working class family budget and it is inconceivable how a mere increase in money income will benefit its recipients materially, unless food prices are kept at reasonable levels. Similarly, there is need for a bigger volume of cloth production in order to meet the growing demand for this essential commodity. So, unless there is an adequate increase in the output of consumer goods, a sudden rise in the buying power of the people is likely to create an imbalance in the economy. Great pressure will be exerted on available supplies, resulting in prices being pushed up. Such a development will touch off new wage claims on the part of dissatisfied labour.

These are broad considerations, and we may now examine the possible bases on which a wage board might seek to reconstruct the wage structure of an industry. The criteria for an upward revision of wages are (1) whether the work effort in a given industry is at a level to warrant an increase in the earnings of its workers and (2) whether an industry can afford to pay increased wages.

Before dealing with these points, we may usefully make a few preliminary observations. Competent persons have held the view that it is not easy to define with precision what constitute "fair prices". Moreover, as the Committee of Fair Wages, in its report of 1949, rightly says: "any attempt to evolve principles for governing the fixation of wages must be made against the background of the general economic con-

dition of the country and the level of the national income". It further holds that the state of national income is "highly relevant" to the problem of wages, because "no wage policy can be regarded as just or even economically sound unless it encourages increase of the national income and secures to the wage-earner a legitimate share in that increase." We have already discussed the manifest futility of striving for the greater prosperity of one small section of the community before raising the living standards of the population as a whole.

To turn now to the first point. There is a facile belief that it is easy to relate wages to productivity. The task of measuring output, especially when there is a paucity of statistics, presents almost insuperable difficulties. Even in countries that are statistically well-served, the assessment of productivity is no better than studied guesses. The difficulty is much greater in India, especially when measurement of productivity is attempted in the cotton mill industry where we are confronted with so many variable factors. Higher output is attained if the raw material used is of superior quality, if the working conditions are good, if the machinery is modern and if its operation is efficient. There is no ready method by which it is possible to determine in what proportion each of these factors contributes to increased production. It certainly is not as simple as separating the sheep from the goats. In any case, it would not be correct to attribute the resulting increase in production entirely to labour.

Again, higher productivity is not attained in all the units of an industry and definitely not in the same proportion. And since productivity is bound to vary from unit to unit, we must be prepared to establish wide and varying wage differentials between units in the same industry. It is, of course, impossible to do this. Further, we would be landing ourselves in great difficulties if it is urged that wage increases should be granted only in those units and industries which have achieved higher production. This, in effect, would mean that the employees of static or declining undertakings should be left high and dry — a proposition that would never gain the acceptance of workers. If, on the other hand, the benefits of increased productivity are proposed to be given to all the workers of an industry, then the wage increase granted to non-progressive units would, as a well-known economist points out, constitute additional purchasing power without any corresponding increase in the volume of goods available for purchase. To quote the authority: "In other words, the application of the principle that workers in each industry are entitled to the full benefit of higher productivity would necessarily mean inflation."

Mr. C. D. Deshmukh, former Union Minister for Finance, holds even more emphatic views on the subject. In a series of lectures delivered recently, he declared that one of the instances where the needs of the nation were somewhat ignored was seen in the idea that the wages of organised labour should move up in line with the increase in national income. Mr. Deshmukh thought that this was bad economics and that some counsel for restraint seemed necessary.

At any rate, no wage-fixing machinery can possibly determine a fair wage without relating it to a fair load of work. If this is done, as, indeed, it must be, it would be extremely difficult to establish a convincing case for any increase in wages in the near future. The fact that the present work effort in the Indian cotton mill industry is below normal is proved by the comparative figures given at the end of this article.

Lastly, the assumption that the industry has been enjoying abounding prosperity and that it can afford to increase the wages of its workers continually is based on a misunderstanding of the real position. Apart from the fact that large profits attract heavy taxes, the worker receives his due share in the shape of bonus and other direct and indirect benefits. In any case, what with the increasing burdens on the industry and the heavy demands upon its resources, the days when windfall profits could be made are over and are not likely to recur.

There is, therefore, a good case for wage restraint in the present transitional period. The second Five-Year Plan has laid great emphasis on the attainment of a higher level of output and on the expansion of India's export trade with a view to earning bigger amounts of foreign exchange. If the private enterprise industry is to play its part in making Indian goods competitive in world markets, it stands to reason that nothing should be done that would inflate costs and prices. It must be remembered that the cotton mill industry is required to earn for the country external resources totalling Rs. 375 crores by the end of the current Plan. It may be able to accomplish this task if it succeeds in raising the volume of cloth exports to 1,000 million yards per annum — a very difficult undertaking indeed in a keenly competitive and steadily declining world market.

To conclude, there is no enormity in labour's demand for higher emoluments, but it cannot expect to march ahead independentiy of the country. A far more equitable way would be that it should seek to earn higher wages through greater work effort. For example, labour should co-operate in the standardisation of workloads in the cotton mill industry on the basis of, say, four sides to a spinner and four looms to a weaver, where the equipment is of the conventional type, and agree to a carefully-considered programme of plant modernisation and rehabilitation. By adopting such a helpful attitude it will not only benefit itself but will be making a valuable contribution to the stability and progress of the industry as a whole. The country will also be a beneficiary of the resulting prosperity.

It is earnestly to be hoped that the Wage Board for cotton textiles will take the facts discussed here into consideration before formulating its proposals for any revision of the existing wage structure in the cotton mill industry.

Country	No. of spindles handled by one operative	No. of looms handled by one operative
United States ..	1,500-2,100	60 automatic
Japan	1,600-2,000	30-40 automatic 14-15 ordinary
Britain	300	6 ordinary
India	380 (average)	2 ordinary (average)

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The Business World

THE JANATA POLICY SCHEME

By

CROESUS

THE Janata Policy Scheme, inaugurated last Sunday by Mr. Morarji Desai, Union Minister for Commerce and Industry, has undoubtedly begun under happy auspices. It has had not only official blessings — which is only to be expected after the nationalisation of life insurance — but also those of all sections and shades of labour leaders, which is quite significant. It is significant, because, hereafter at least, these quarters may be expected not to oppose diversion of a portion at least of such additional benefits as bonuses that may be awarded to workers towards insurance policies and national savings. By and large, the industrial workers seem to be well disposed towards the scheme, judging from the reported initial response from about a thousand Bombay workers already. This must be reckoned as a very good augury, indeed, for, if the scheme is thus patronised by the industrial workers of Bombay, what with the progressive outlook they are credited with, as Mr. G. R. Kamat, Deputy Chairman of the Life Insurance Corporation, remarked at the inaugural function, the chances of about five million people, who are supposed to avail themselves of the scheme, also taking to it kindly are reasonably assured. From the point of view of the workers themselves and the Life Insurance Corporation, as also of the country as a whole, this is a thing that is to be devoutly wished and worked for. Mr. Morarji Desai said as much when he expressed the hope that the labour and the rural population, for whose special benefit the scheme is intended, would take full advantage of it.

Mr. Morarji Desai also claimed that the Janata scheme was a striking evidence of the fruits of nationalisation and that no individual company could have undertaken such a gigantic scheme. There is a good reason for this, though the idea itself is by no means novel. In a way, albeit very small, a number of Provident Societies, mostly from Bengal, had explored this field, but these companies neither operated extensively nor did they seek to reach the industrial workers and the rural people specifically as the Life Insurance Corporation has now set out to do. These societies used to issue policies for sums below Rs. 1,000 and, invariably, their premium rates were in one rupee or multiples thereof, according as the policies were for Rs. 250, Rs. 500, Rs. 750 or Rs. 1,000 and for 10, 15 or 20 years. Nearly all over the country these companies had their agents for collection of premiums and apparently to make the small commission they gave attractive enough, they allowed the agents to deduct the commission due to them out of these collections and remit only the balance to the head office. Although, prima facie, the schemes were fairly well devised, they could not make much headway for the following reasons: (i) the narrow coverage, (ii) lack of effective inspection arrangements, (iii) indifference of agents who did not take to this business seriously, and (iv) the unscrupulousness of some management themselves. All these reasons obviously stem from one and the same factor, namely the uneconomical nature of the proposition, if I may say so. Fortunately for the Life Insurance Corporation, it has not only the sole monopoly of this business for the whole country but a network of both readily available and prospective organisations to canvass business for it, besides. In this sense, perhaps, Mr. Desai is entitled to claim that only nationalied insurance could undertake such a gigantic project.

But it is not enough if the Life Insurance Corporation has an extensixe organisation; it must be able to make the new experiment an economical proposition as well. Of course, in the beginning itself, the project cannot be expected to meet its way and must perhaps entail losses, but the losses may be expected to decrease steadily and disappear altogether over a period, if all the circumstances prove favourable. The question, however, is: who will bear the cost of the losses meanwhile, that is until this stage is reached? Will it be the State or the policyholders falling under other schemes? If the Life Insurance Corporation itself were to bear the losses, it is obvious, this would only be at the cost of the other policyholders, for, in such event, the benefits that would have accrued to them otherwise (that is if the Janata scheme had not been there) would have to be curtailed to a corresponding extent. But even this could be countenanced, if the scheme held out promise of turning out to be an economical proposition. eventually. There is no reason why this should not happen, given the wholehearted co-operation of our labour leaders in the urban areas and our Sarvodaya workers in the rural areas.

If success is to be assured to the scheme, our labour leaders must energise all the trade unions in the country and ask them to take to this constructive work of popularising the Janata scheme and thereby raising the savings of the country as a labour of love, as a mission of their life. The Union Finance Minister is convinced — as most people, indeed, are — that the bulk of the additional purchasing power generated by the large developmental outlays of the Government has percolated to industrial workers, workers in the project areas and the rural people. There cannot be a more appealing and effective method of tapping this idle or surplus purchasing power than that offered by the Janata scheme, which is, in a way, a challenge to the labour leaders and the Sarvodaya workers to prove their bona fides as regards their concern for the man-in-the-street and to demonstrate that their heart, in fact, pulsates for the common man.

I would have very much liked to end this story here but I feel I ought not to deny myseylf this opportunity to say that Mr. Morarji Desai cannot explain away — Mr. B. R. Bhagat, Deputy Minister for Finance, be it noted, tried and failed to do it in the Lok Sabha — the fall in life insurance business from Rs. 268 crores in 1955 to Rs. 200 crores in 1956 ('The Insurance Year Book' 1956 puts the 1955 business at Rs. 238.29 crores and one hopes this has not been deliberately done to minimise the extent of the fall in business in the first year of nationalisation!) to the several factors mentioned by Mr. Bhagat and to the teething troubles of transition as he himself summed up. These factors did operate, no doubt, but why, may one ask, have the Government spokesmen not made even a passing mention of the increase in the limit up to which abatment was made available for income-tax purposes on payment of life insurance premia? Is it because this operated to the advantage of the Corporation? Again, Mr. Desai's pointed attention must be drawn to the difference in the performance of the nationalised insurance itself as between the regime of the custodian, and that of its successor, the Corporation.

As "The Eastern Economist" has already pointed out (vide P. 765 of the issue dated May 24, 1957),

whereas, during January-September, 1956, when the business was managed by the erstwhile insurance companies under custodians, a total business of Rs. 145.61 crores was completed (this, by the way, was more than for the corresponding period of 1955), thus giving a monthly average of Rs. 18.2 crores, between October and December, 1956, that is after the Corporation was launched, the monthly average suddenly shrank to Rs. 13.7 crores. It is not that the reasons for this fall are unknown to the powers-that-be who seem content to refer to staff unrest as the main villain of the piece. The Corporation has yet to make it up with the agents and the medical men and not until at least this is done, let alone the elimination of such vagaries as the ordeal of medical examination of big cases by as many as half a dozen specialists differently, can the work of the Corporation proceed unhampered. However, to be fair, the time for comparing the performance of the Life Insurance Corporation with that of private insurers prior to nationalisation is not yet. Meanwhile, one only hopes that the Corporation keeps separate records in respect of its new experiments so as to facilitate an objective and dispassionate comparison at a suitable time.

DEVALUATION—WHY ?

By

CROESUS

WHETHER or no there was a case for devaluation of the Indian rupee, it is a fact that the question has been debated in this country even before "Lombard" chose to give the Government of India his gratuitous advice (in the columns of "The Financial Times," London) that the wisest course for the Government of India is "to make it clear that they intend to maintain the rupee at its existing level and to demonstrate that they are following economic policies that will enable them to do so." The advice follows his rather casual conclusion that the rupee is tending to fall under suspicion, because gold prices in Bombay went up a few days ago to Rs. 111 per tola and to Rs. 72 per sovereign. He also suggested that "the tendency for money to move out of Indian currency into other currencies is finding no reflection in movements in exchange rates, because the rupee is linked to sterling".

There is no gainsaying the fact that the rupee has suffered in value, both internally and externally, but the situation is certainly not as serious as Lombard seems to suggest. To quote his own words, "it is, as it happens, not unlikely that the danger in which the rupee stands as a result of the deterioration in India's external and internal economic circumstances is being exaggerated". The extraordinary efforts to correct the adverse balance of payments position and to maintain the stability of prices internally that the Government of India has made, and is continuing to make, should satisfy even the most meticulous critic that no stone is being left unturned to maintain the value of the rupee.

Lombard's conclusion seems to us casual, as we have noted above, because the sharp rise in gold prices since the beginning of this year is not wholly related to the deterioration of the rupee. Ever since the wealth tax idea was mooted, thanks to Professor Nicholas Kaldor, the demand for gold has been steadily going up, and the peak would appear to have been reached already, as, since the past few days, gold prices have started showing signs of decline. Moreover, gold prices in India even normally tend to rise in the early months of the year, by reason of the certain demand occasioned by the annual marriage season. In any case, the prices reached this month (May, 1957) are by no means the peak levels. They are only the highest since the first week of September, 1951; in April, 1951, gold prices in India touched the all-time peak level of Rs. 115-12. Incidentally, India's foreign balances were standing at much higher levels at both these points of time; in April, 1951, our foreign assets stood at Rs. 876.68 crores, while, in September, 1951, these were of the order of Rs. 811.24 crores.

It is true the internal price structure has been such as to cause concern. The relentless march of inflationary forces has begun to tell and, if anything, the tempo of this march has only been further accelerated by the latest budget proposals of the Union Finance Minister. Yet the Herculean efforts being made and proposed should at least stem further rise, though they may not succeed in reversing the trend, unless the supply of food and other essential consumer goods suddenly rises so substantially as to make an impression on the price level. Since, in any case, there cannot be an overnight increase in food production and more imports of food grains require additional foreign exchange, it might appear that we have verily reached a blind alley. Actually, the position is not that bad. If the American P.L. 480 is pressed into service fully, as seems not improbable, the present food shortage may well be tided over at least until the coming monsoon brings in the next harvest, and if Providence were to favour India, this monsoon should be favourable.

So the danger which the Indian rupee is alleged to be facing today is really not too grave. Even if it were, would devaluation be the right solution? A few weeks ago, perhaps, one might have toyed with the idea, but it would be foolish to entertain any such notion after the back-breaking budget of Mr. Krishnamachari.

That apart, in what way is devaluation going to help us? To say that it will lower our export prices, which it certainly will, is one thing, but to argue that it will increase our exports is rather to overrate India's ability to export, especially in the growingly highly competitive markets abroad. Our Finance Minister has admitted that there, are severe limits even to our staple exports. Again, devaluation will undoubtedly raise the cost of our imports, and do we want this? It would be mid-summer madness to do anything of this sort when we have already reached a stage where we cannot curtail our imports any further. In such an event, the result would be avoidably to put up our import bill without the saving advantage of any increase in supplies of consumer goods that might at least help fight the presently developing inflationary forces. Both these consequences must be averted not only to prevent the size of the second Plan from bulging any further but to leave the door open for imports of consumer goods whenever the imperative need for such a course might arise, which is not unlikely. Should this happen, the Government of India would be perfectly justified even to draw upon the country's sterling balances to a figure below Rs. 400 crores, as there is no sanctity as such about that figure. India can also draw to the fullest extent permissible her quota from the I.M.F., even as Britain has done, for here is a proved imbalance in our economy, a solution to which does not brook any delay.

There is one other consideration — and this is very important — why India should not countenance devaluation at this stage. It is that the Indian rupee has become quite popular in the Middle East countries and there is developing imperceptibly a Rupee Bloc, as it were. Would it not be suicidal to resort to any such thing as devaluation at this stage and thereby shake the steadily growing confidence in the Indian currency in these areas?

But saying all these is not to rule out devaluation for all times. If the Government of India were to continue to think and act in terms of the inviolability of the size and the duration of the second Plan and if it should persist in pushing it through at any cost, which is clearly beyond the savings and investment capacity of this country, it will not be out of our volition that devaluation will come; on the contrary, devaluation will force itself on us. Unfortunately, this warning, which has ere now been sounded in the clearest terms seems to be going unheeded.

INVESTMENT, INFLATION AND EMPLOYMENT

(CONTRIBUTED)

THE problem of employment is a crucial one in the economic development of those countries which are over-populated in relation to their resources, assessed in the context of the current techniques of production and productive organisation prevalent in those societies. Such is, in fact, the situation of most of the countries in Asia which face an unemployment problem of the greatest magnitude in the background of a system of production which is extremely primitive in character. This, it should be noted, is unlike the unemployment problem in the Western countries which face it in the background of a vast productive apparatus that happens to be idle for some reasons.

One of the imperatives of planning in such countries has, therefore, inevitably to be concerned with the problem of employment. An almost absolute limit to the process of economic development is, however, set by what may be called the Inflation Barrier. The Barrier, of course, is a function of many factors and varies over the time-period. But still it can never be ignored with impunity, specially by countries which are and aspire to remain democratic in character.

The pattern of investment varies with the pattern of economic development that a country wishes to follow for itself. It may be geared to the ends of power or the ends of welfare, though the two may coincide for some moments in the case of some countries. The variation in the pattern, however, is not supposed to affect inflation. It is only the absolute amount of investment that is supposed to have the relevant consequences. There are, of course, other factors such as the capital-output ratio and the time-schedules of investment-fruition that are also relevant for assessing the inflationary effects of an investment policy. Still, in the short run, it is the absolute amount alone that is supposed to matter.

It is, however, not merely the amount of investment but also the pattern that seems to matter even in the short run. And, in a certain sense, the type of investment that may promise most employment in the short run may also result in setting up inflationary tendencies of the utmost intensity. The wider disbursement of funds to a larger number of people creates obviously a greater demand-pressure on available consumer goods and services than a more concentrated disbursement to a lesser number of people. In case a larger amount of investment flows into the hands of a limited number of people, it facilitates the anti-inflationary process of autonomous saving flowing back into the investment-process and thus creating the cycle once again. The demand-pressures in the latter case are generated more on the luxury goods which perhaps can be met more easily than the increased demand for basic consumer goods generated by an employment-oriented pattern of investment. The relative ease would, of course, depend on the pattern of luxury-consumption prevalent in a particular society. If, for example, the pattern is determined in terms of a feudal style of living, it should at least be theoretically possible of easier attainment than if it consists largely of prestige-goods industrially manufactured outside the country, even though it be a moot question whether a feudal style of living can go with the capitalistic entrepreneurial spirit without which economic development can hardly take place.

Further even in cases where the pattern of luxury-consumption creates pressures on the foreign exchange position, it can be checked and controlled far more easily than the demand-pressures generated on the basic consumer goods front. And, in any case, a strain on the foreign exchange position is bound to take place if the pattern of investment takes a capital-intensive form as, in most cases, the required technical skill and equipment will have to be imported from abroad. Whether the luxury-imports induced by the investment process add significantly to the strain shall remain an undecided question. It can perhaps be settled only for specific cases: a generalised solution, I suspect, may not be possible in the matter.

The employment-oriented pattern of investment may have one anti-inflationary consequence in the sense that the time-period of investment-fruition is relatively shorter and that the employees are set on producing the things that they as a whole have more or less directly to consume. The cottage-industries and handicrafts which give large employment to people produce almost directly the goods that the newly employed would need to consume. This, however, meets a serious limitation in the fact that in countries living on the margins of subsistence the increased demand-pressure would, in the first stage, be felt primarily on the food front. The increase in agricultural production, however, can neither be so quick nor easy as in the case of other consumer-products in general. If this be coupled with the fact of rising population, as is the case with most countries of Asia, the difficulty becomes still more acute. The anti-inflationary force of investment in consumer goods produced by cottage industries and handicrafts is, thus, considerably reduced. The primary barrier in the realm of agricultural productivity does not let this force function as it normally would have done if the limiting factor had been absent.

This, it should be clear, is not a plea for an investment-pattern unoriented to employment ends. It merely seeks to focus attention on the incompatible effects of a pattern of investment with regard to its consequences in terms of employment and inflation in a particular economy. The break-through can perhaps be made by raising agricultural yields all through — a problem that, in any case, is central to all economic development geared to the ends of welfare rather than power in a particular society. Unless a concentrated effort is made to break through this foundational barrier, a country may industrialise itself in terms of power and be reckoned among the polities of the world but lose in terms of economic welfare and political freedom for which alone perhaps it set itself on the path to economic development.

Economic Report from the U. S.

MUTUAL ASSISTANCE PROGRAMMES

(By GUY SIMS FITCH)

WASHINGTON, May 21.—It has been recognized for some years now that the mutual assistance programmes of the United States have become an integral part of U.S. foreign policy. Now, as expected President Eisenhower has asked the U.S. Congress to enact legislation that would give these programmes a new shape, one more in keeping with the stature they have in fact attained. In his long-awaited mutual aid message, sent to Congress today, the President has emphasized the general agreement among Congressional committees, the Administration, and informed private citizens on the proposition that US economic and military aid to other countries promotes world peace, security and well being, and therefore should be continued and strengthened.

In essence, the President's legislative recommendations would separate clearly the economic from the military aspects of US aid, identifying each with its real purpose and giving it its own place in the federal budget. This, it is believed, would help remove any uncertainties or misunderstandings regarding the nature of this aid. Military aid thus would include both outright defence assistance, such as weapons and training for allies, and so-called defence support — aid which is superficially economic but which actually enables friendly nations to maintain military forces and facilities they otherwise could not maintain. Outlays for defence support and direct military aid would be made part of the regular US defence budget.

To give greater continuity as well as balance to collective security efforts, the President also recommends that appropriations for these interrelated defence items be subject to continuing Congressional authorization, rather than having to be reapproved periodically, as at present. For the 1958 fiscal year starting next July 1, Mr. Eisenhower is asking for a $2,000 million appropriation for military assistance—$1,900 million for equipment and services, $900 for defence support. Also in the interest of greater continuity and efficiency, the President recommends that economic development assistance be placed on a new and clearly defined basis. This would entail creation of a development loan fund to finance specific projects and programmes in other lands which give promise of contributing to their sound economic development. These loans would not replace or compete with such existing sources of credit as private investors, the US Export-Import Bank or the United Nations World Bank. But they would tend to be somewhat "softer" in many instances, with the prospects of repayment, either in dollars or local currencies, based on confidence in the long-range development of the borrowing countries. Thus, the proposed fund would tend to promote, rather than impede, the flow of needed capital from other credit and investment sources.

Since the fund will be dealing with long-term projects, the President recommends that it be set up initially with suficient resources to finance its operation for the coming three fiscal years. The appropriation asked by the President for the first year is a sum described as "not less than $500 million." As development programmes move forward, he anticipates substantial increases in the following two years, possibly through borrowing from the US Treasury, up to $750 million annually.

While the shape of the mutual assistance programme would be changed substantially its overall magnitude would not. The total request for new aid funds for the 1958 fiscal year adds up to $3,865 million. This is over $535 million less than was estimated in the President's budget message to Congress last January, but nearly all of the contemplated reduction would be made through a $500 million savings in the military programme. Moreover, the total being requested for fiscal 1958 is slightly larger than the new aid obligations voted for the present fiscal year, and some 45 per cent larger than those voted for fiscal 1956. These proposals of the President now must be translated into law by Congress. A number of Legislators, mindful of the demands for reductions in government spending, have indicated their intention to seek substantial cuts in the aid funds requested by the President. How deep these cuts will be, and whether or not they will affect Mr. Eisenhower's proposed changes in the mutual security set-up, can only be matters of conjecture at present. But on one matter there is virtually complete agreement in and out of Congress: US aid to other countries is properly a matter of continuing concern to the United States, regardless of the size or shape it may ultimately take.

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2. An interim dividend at the rate of 7½ per cent free of tax for the year ending 31st December, 1957 will be paid on 19th June, 1957 to the members whose names appear on the Register of Members in respect of the existing Ordinary Shares on 11th June, 1957.

For the foregoing purposes notice is hereby given that the Share Transfer Books and Register of Members holding Ordinary Shares in the capital of the Company will be closed from 4th June, 1957 to 11th June, 1957, both days inclusive.

Holders of Ordinary Shares under blank transfers are particularly reminded that it is necessary to register the transfers prior to 4th June, 1957 in order to be entitled to the Rights offer. Legal representatives of deceased shareholders should get their legal representations immediately registered with the Company to enable them to receive and deal with the Letters of Rights on behalf of the estate of the deceased.

BY ORDER OF THE BOARD,

J. LUCKHAM,

MANAGING DIRECTOR.

Calcutta, 22nd May, 1957.

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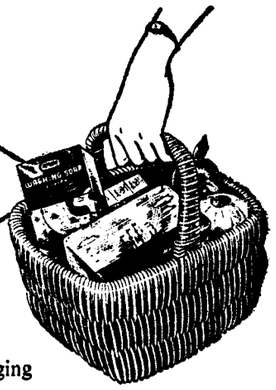
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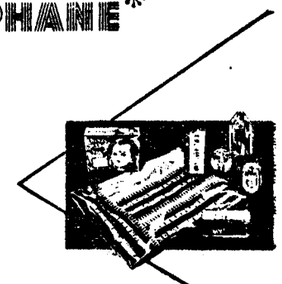


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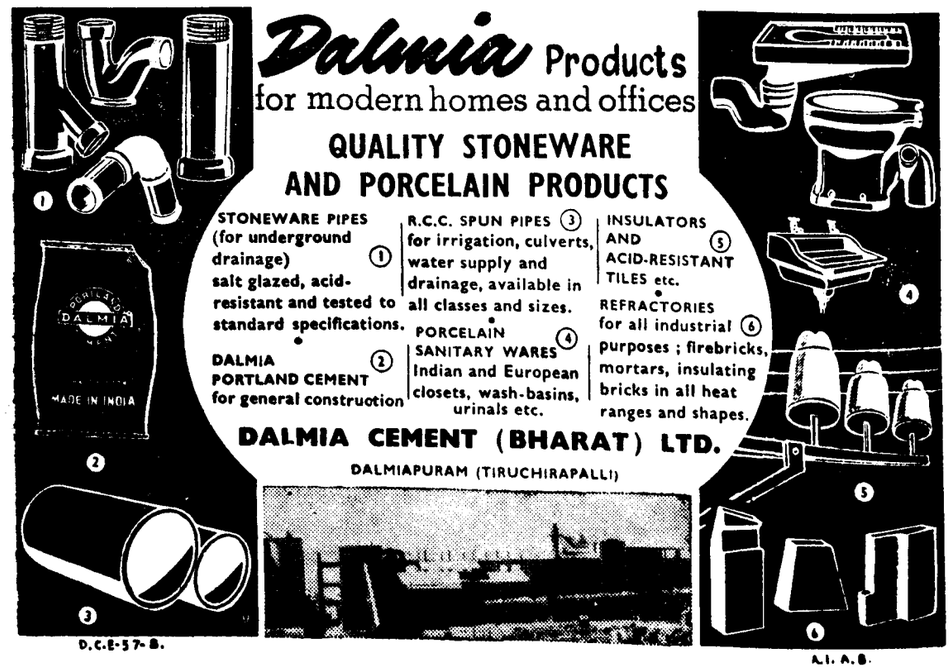
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BUSINESS NOTES

THE BUDGET AND THE PRIVATE SECTOR

IN A provocative speech delivered at the annual general meeting of Mahindra and Mahindra Limited, Mr. K. C. Mahindra, Chairman, has turned the searchlight of scrutiny on some aspects of the budget that require careful examination. While one of the cardinal objectives of the Plan is to curb the inflationary potential, he has pertinently asked why the Finance Minister has done nothing to reduce the positive influence of rising public expenditure. All the measures of Government to put restraint on consumption or credit, would, it is obvious, be of little avail in the absence of a curb on Government spending. "The volatile spenders both the Centre and the States", he observed, "need to be kept in check under a strong leash if the delicate balance of stability is to be achieved". He has cited appositely in this connection what the Governor of the Bank of England recently stated that "the economic machine could not be driven with one foot on the accelerator of public expenditure and the other on the brake of credit restriction." Another aspect to which Mr. Mahindra has drawn attention is the imperative need for providing incentives for greater production all round. In support of his contention he has quoted approvingly such a high authority as Mrs. Joan Robinson who has stated that "to support any large scheme of investment with a long gestation period, there must be an appropriate amount of quick-yielding investment to get the consumption sector into the posture to meet the demand that will fall on it". But current economic policies unfortunately do not seem to lay much store on this aspect. Mr. Mahindra's basic criticism of the Plan on the score of a lack of balance is thus unanswerable.

Mr. Mahindra's criticism of the taxation proposals as affecting the private sector are equally devastating. When capital formation is of paramount importance for furthering industrial growth, the proposals for compulsory desposits, increase in corporation taxes and tax on wealth on companies are positive disincentives (He has here referred to the recent survey by the Indian Institute of Public Opinion showing that there was no significant rise in the rate of capital formation between 1952-53 and 1955-56). In a trenchant criticism of the effects of the proposed taxation measures he observes that they "will be far-reaching in respect of disincentives, in respect of capital formation and in respect of savings apart from the incongruous and unjustifiable levy of multiple taxation on the same quantum of income and now wealth." No less pertinent is his arresting conclusion about New Delhi getting its inspiration from Kaldor and yet not going the whole hog with it. It is nothing but 'Heads I win, and tails you lose' when Government hurries to adopt the Kaldor devices without adopting the safeguard he has recommended, viz., reduction in rates of income tax and super-tax to 45 per cent which is the core of Kaldor's harmonious basis of taxation. If what Government aims at is disincentives and a halt to development of the private sector, why should it not place all its cards on the table? What else is the construction one should put, as Mr. Mahindra has justifiably raised, on this statement of the Finance Minister in his Budget speech?; "These measures are not intended to curtail genuine investment in the private sector, though it would not be unreasonable to assume that a slight slowing down for a short period will not, in present circumstances, be undesirable".

A WAGE POLICY FOR LABOUR

THE QUESTION of formulating a sound industrial wage policy has been in the fore quite for some time now, but it has gained added importance in the context of the inflationary spell that threatens the Indian economy. In his cogently argued presidential address to the annual session of the All-India Organisation of Industrial Employers, Mr. G. D. Somani has made a constructive approach to the whole question. The I.N.T.U.C.'s demand for an outright increase of 25 per cent in the level of industrial wages has evidently produced no favourable reaction in the country. The Government's proposal, therefore, to set up Wage Boards for different industries seems to be a step in the right direction since the constitution of a Wage Commission is not feasible at present as it may take many years to complete its labours in the absence of a wage census. Mr. Somani has referred in this connection to the construction of a Wage Board for the cotton textile industry and one of its terms of reference, viz. that in evolving a wage structure, the Board should, in addition to the considerations relating to fair wages, also take into account the needs of the industry in a developing economy. "A sound wage policy", he said, "must be judged in the context of earnings of workers in different sectors, such as agriculture, tertiary and domestic, the national income, its effects on costs and exports, inflationary potential etc." Thus Mr. Somani has put the entire question in the proper perspective. Manufacturing costs, it must be remembered, have to be kept down not only to promote exports in the competitive international markets but also to keep the internal prices under check so as not to add to the inflationary potential. The argument, therefore, that the employers can easily pass on the increase in price consequent on the wage increase to the consumer is thus not quite correct.

Mr. Somani has pleaded that any increase in the standard of living of the industrial workers should be aimed only through the scientific process of increased productivity, which has assumed considerable importance recently. Productivity, he pointed out, should not be confused with just rationalisation but should include the entire gamut that goes to build up the climate of productivity. Here the recommendation of the Industrial Productivity Delegation which recently visited Japan to form a National Productivity Council in this country has come not a day too soon, since it would make available to everyone the benefits of the research work and experience gained by different industrial units and organisations in this direction. It needs no particular emphasis that it would be difficult to halt the inflationary pressure without relating the whole question of wages to productivity. The several trade unions in this country should realise that the best way of protecting the workers' interest is through a more ordered system of wage increases and not by mere competitive claims by taking advantage of a particular bargaining position in a particular context. It is here that the question of workers' education is of great relevance since there is urgent need for paying greater attention to the training of labour and make them imbibe a proper outlook. There is no reason why trade union leaders should not awaken themselves to the realities of the present situation and try to work out a method that would assure their members gradually increased wages in return for co-operation over productivity.

MEDIUM-TERM FINANCE FOR INDUSTRY

WITH THE passing by the Lok Sabha this week of the Reserve Bank (Amendment) Bill and the State Bank of India (Amendment) Bill, a significant step has been taken to provide medium-term credit to industries. The providing of medium-term credit to the industry has received so far very little attention with the result that the current needs of the urban industrial sector have remained unfulfilled. In actual practice it was observed that institutions like the Industrial Finance Corporation catered mainly to long-term finance. Even bodies like the State Financial Corporations and the Industrial Credit and Investment Corporation could not give adequate medium-term finance facilities in the private sector of industry. With the rising tempo of industrial development, it was felt that one institution was not adequate for offering credit facilities. It was to remove this lacuna in the industrial credit structure that the necessary legislation was thought of.

The Reserve Bank (Amendment) Bill as passed would enable the Reserve Bank to contribute to the capital of institutions that would be set up to provide medium-term loans to industries. The State Bank of India (Amendment) Bill would remove some of the restrictions in the State Bank of India Act relating to the grant of loans and advances for periods in excess of six months and against the primary security of immovable property. Under the new set-up, the Directors of business houses would be excluded and only the bankers would be associated with the proposed institutions. The granting of loans would solely be a matter for the bankers to decide.

It is rather unfortunate that the Directors of business houses who could assess the needs of industry better are to be excluded in the proposed institutions, but it is to be hoped that the bankers with their long experience of lending to industries would be able to take their place effectively and discharge their duty fairly. The main advantage of these institutions would be that they would go a long way in meeting the needs of a particular type of credit and help in the rapid industrialisation of the country.

STEEL FOR RAILWAYS

SHORTAGE of steel is the main impediment in the speedy execution of certain projects in the public sector. This shortage is quite marked in the case of Indian Railways. A number of line and other development works on the timely completion of which depends the creation of the additional transport capacity are being held up as a result of that. The steel requirements of the railways during 1957-58 total about 1.6 million tons, but present indications are that they may not receive even 45 per cent of this quantity. In the last year only 50 per cent of the requirements of steel were received.

Since much depends on the additional transport capacity needed to meet the mounting demands of traffic under the impact of the second Plan, it is apprehended that a continuation of this shortage may not only be very harmful to the railways but may even prove a great handicap for the plan as a whole. The situation in the supply of steel is not likely to improve till the second plan programme of expansion of steel production begins to yield concrete results. Meanwhile, the Government of India has taken two steps to improve the situation. With effect from April 1, 1957, the responsibility for the procurement of the more important categories of steel has been transferred from the Ministry of Commerce and Industry to the Railway Ministry. A small steel procurement unit has been set up in the Railway Board's Office in New Delhi charged with the responsibility of procurement of various categories of rails, steel sleepers, fish plates and bearing plates. This arrangement has been made with a view to make the railways get in touch directly with the sources of supply thereby enabling it to acquire speedy steel supplies.

The second step taken is the decision to send a railway steel procurement mission to the UK and other steel-producing countries of Europe. It is expected that the mission would succeed in its effort at least in some measure to bring early relief. In the meantime, will it not be a worthy arrangement if steel stocks lying with the public sector not needed for immediate use are diverted to the railways on a basis of borrowing to meet pressing needs?

A SALES TAX MUDDLE

TRADERS AND industrialists in this country have been receiving a series of blows, almost in continuous succession, in one form or other. Of these, it is undoubtedly the fiscal measures of governments, both Central and States, which have created the most uncertain and confused atmosphere in market circles—stock, bullion, cotton and commoditics—so much so that even the boldest 'entreprenuer' now hesitates to venture. The morale of the market has been completely shaken on account of the increased uncertainty. In Bombay for example, business in almost all the commodity markets, particularly in Vadgadi, the hub of the city's wholesale trade activity is practically at a stand-still, since last week, as a result of the complications created by a circular recently issued by the Collector of Sales Tax, Bombay, making it obligatory on the part of the commission agent to bear the sales tax, as though he were the dealer himself. Such a position did not prevail until the enactment of Bombay Sales Tax (Amendment) Act of April 1957. The commission agents, who are severely hit as a result, have withheld their purchases as a protest. As a large portion of Bombay's business -- this is estimated roughly at about 80 per cent--consists of transactions by these commission agents, almost the entire trade has been paralysed.

The present crisis, according to business circles, has been created by the Sales Tax circular dated April 30, 1957, asking commission agents not to issue certificates in forms J, K or N to the vendor, if the effect of the transaction is that there is no resale by him to his Principal of the goods purchased by him. If they are not allowed to issue certificates, as per this circular, the commission agents apprehend they may have themselves to bear, on pain of punishment, the burden of the sales tax, amounting anywhere from 2 to 5 per cent. It is not clear how such an interpretation could be given. For all that can be said about the circular in question is that it would give the Sales Tax Collectors more opportunities of harassing the commission agents. In view of this, possibly the present trouble could be ended, one feels, if the Government of Bombay were to be content itself with just an undertaking in writing by the commission agent concerned that he acted in that capacity in respect of a given number of transactions.

Meanwhile the decision of the commission agents to stay away has affected adversely the wholesale trade of both Bombay and Ahmedabad in cotton textiles, kariana, spices, colour and chemicals, dried fruits, betel nuts and a host of other commodities, resulting in heavy losses to the traders as well as to the Government. To subject to sales tax a commission agent who only acts for, and renders some service, to his upcountry Principal or client is neither just nor equitable.

COMPANY AFFAIRS

JAY SHREE TEXTILES LIMITED

The report and the audited accounts for the year ended December 31, 1956, show a profit of Rs. 6,69,630. after making provisions for depreciation (Rs. 5,67,169) and doubtful debts (Rs. 32,412). As this year's working was considered good, an amount of Rs. 2,82,610 has been deducted from profits against last year's debit balance. The directors have recommended a payment of dividend on 4,91,700 Equity shares of Rs. 10 each at As. 6 per share, which will absorbs Rs. 1,84,388. A balance of Rs. 2,652 has been proposed to be carried forward to next year's account.

An approximate amount of Rs. 40,70,000 is outstanding as unabsorbed depreciation allowance on 31-12-56. This includes initial depreciation, extra depreciation, extra shift allowance and also the development rebate as worked out by the Company according to the provisions of the Indian Income Tax Act, 1922. As indicated in last year's report, the working of the Company has shown considerable improvements during the year under review. It is hoped that this improvement will be maintained. Sales (including processing charges) during the year have increased from Rs. 54.21 lakhs in 1955 to Rs. 62.30 lakhs during the year under review. The company's main items of manufacture are: Flax Hosepipes for Fire-Fighting; Linen Threads and Twines; Flax Canvas and Paulins; Staple Yarn and Fabrics; Hair Belting Yarn; Knitting Wool, etc.

The Company's products have become very popular — specially Hosepipes, Threads, Twines and Belting Yarn. In the past the country used to import these essential items from foreign manufacturers, but now the Company is able to meet almost the entire demand of the country, cutting down imports to the minimum possible and thus affecting a saving of vital foreign exchange. Some of the departments of the company have been expanded, by adding new machineries, during the year under review. Plans are being finalised to make further expansions to meet rising demand for the Company's goods. The Directors are glad that the Company has also ben given permission to work 152 of its existing looms on Cotton Canvas. Some of the looms have already been started for the production of this item. The Company has received permission from the Government of India for establishing a new Staple Fibre Spinning Plant. The Directors are now giving the necessary consideration to the scheme.

The relations of the management and the workers have been very cordial throughout the year, and the Directors have recorded their appreciation for the loyal co-operation extended to them by all members of the staff and workers.

THE INDORE MALWA UNITED MILLS, LIMITED

The Audited Balance Sheet and Profit and Loss Account of the Company for the year ended December 31, 1956, show Profits for the year, after providing Rs. 6,59,256 for Depreciation and Rs. 3,57,615 for Development Rebate, at Rs. 12,50,745.

Adding thereto the balance brought forward from the accounts of the previous year amounting to Rs. 9,550 and Rs. 16,421, being the balance of the bonus amount provided for the year 1955, the total is Rs. 12,76,716.

Deducting therefrom the amouunt paid on November 12, 1956 as ad-interim dividend at Rs. 5 per share, free of income-tax Rs. 2,50,000. The balance is Rs. 10,26,716.

From this sum, the Directors have recommended: Provision for Taxation Rs. 7,20,000; Payment of 60th (Final) Dividend at Rs. 6 per share, free of income-tax Rs. 3,00,000.

A balance of Rs. 6,716 is proposed to be carried forward.

The estimated amount of Development Rebate as per the Indian Income-tax Act for the year 1954 and 1955 which was formerly credited to Depreciation on Plant and Machinery Account has now been taken to Development Reserve Accounts. However, Initial Depreciation has been included in the amounts charged in the respective Depreciation Accounts. Further, the credit balance of Rs. 36,657 of Reserve for Bad and Doubtful Debts has been transferred to General Reserve Account.

During the year under Report, the Mill output of Cloth in the country registered a further improvement, the striking feature being the rise in the rate of output although there has been some setback from the month of September. The maintenance of the high level of Mills output has followed the expansion of the installed capacity of the Mill sector during the first Five-Year Plan period and by the perceptible rise in the domestic demand for Cloth. Despite the marked improvement in Cloth supplies the prices of Cloth ruled distinctly firm till August, 1956, mainly due to general increase in the standard of living following the implementation of various development schemes and lower stocks with the Mills in the beginning of the year. But due to the uncertainty caused by increase in Excise Duty imposed from September 1, 1956, and various official statements, the Cloth Market became weak and this factor coupled with stringency in money market day by day, resulted in the poor off-take of cloth and consequently the Mills had to carry larger stocks. This affected the working of the Mills in the latter part of the year.

During the year under report, as per five years bonus agreement entered into by the Company with the Indore Mill Mazdoor Sangh, a sum of Rs. 1,40,000 has been provided for the bonus for the year 1956.

THE ELPHISTONE SPG. & WVG. MILLS CO. LTD.

The Report for the year ended December 31, 1956, together with the audited Balance Sheet and Profit and Loss Account shows profit on the working of the Company at Rs. 16,27,614. Which after provision for depreciation of Rs. 1,88,376, for Gratuity Rs. 3,50,000 and setting aside as provision for taxation Rs. 5,50,000 leaves a Balance of Rs. 5,39,238 to the credit of Profit and Loss account.

To this should be added, being the amount brought forward from previous year, Rs. 1,31,354.

The total amount available for appropriation is Rs. 6,70,592. Out of which the Directors have appropriated Rs. 1,00,000 to Development Reserve. Leaving a balance of Rs. 5,70,592.

The Directors have recommended the Dividend as follows:

(a) Payment of a Dividend of Rs. 7 per share (subject to Inocme-tax) on 25,000 7 per cent Cumulative Preference shares of Rs. 100 each for the year 1956 is Rs. 1,75,000.

(b) Payment of a Dividend of Rs. 5 per share (free of income tax) on 59,961 Ordinary shares of of Rs. 50 each for the year 1956 is Rs. 2,99,805.

A Balance of Rs. 95,787 is to be carried forward to the next year's account.

The cloth market was in a healthy state up to August, 1956, when both off-take and prices were at a satisfactory level. These conditions were, however, reversed by the sudden increase in the excise duty on cloth of all varieties to a very high level effective from September 1, 1956, in addition to the increases effected earlier along with the Budget Proposals for 1956-57.

Gratuity to workers became payable for the first time during the year as a result of an Award given by the Industrial Court in November, 1956. The Award was given retrospective effect from 22-11-1954 and a sum of Rs. 3,50,000 has been provided in the accounts for the purpose.

COMMODITY NEWS AND NOTES

FINAL ESTIMATE OF KHARIF PULSES

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of 'kharif' pulses other than tur for 1956-57 puts the current year's area and production at 16,166,000 acres and 1,664,000 tons, as against the partially revised estimate of 15,567,000 acres and 1,632,000 tons for 1955-56. This shows an increase of 599,000 acres or 3.8 per cent in area, and 32,000 tons or 2.0 per cent in production over last year. The increase in acreage has been shared mainly by Bombay, Rajasthan, Punjab and Andhra Pradesh and has been attributed generally to favourable climatic conditions at the time of sowing. This increase has, however, been offset to some extent by the decreases, registered in Bihar, Madhya Pradesh, Mysore, Uttar Pradesh and Himachal Pradesh. The increase in production has occurred in Andhra Pradesh, Bombay, Bihar, Madras, Punjab, Rajasthan and West Bengal and has been attributed partly to increase in acreage and partly to favourable climatic conditions during the growing period of the crops. As between various pulses, the increase in production has occurred in the case of mung, moth and kulthi. Some of the pulses included in this estimate are also grown during rabi season in some States. Kharif pulses reported in this estimate, however, cover about 62 per cent of the total area under pulses other than gram and tur.

INCREASE IN PRODUCTION AND ACREAGE OF GRAM

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India second estimate of gram 1956-57 puts the current year's area and production at 23,354,000 acres and 5,350,000 tons as against the adjusted second estimate of 22,333,000 acres and 4,636,000 tons for 1955-56. This shows an increase of 1,021,000 acres or 4.6 per cent in area and 714,000 tons or 5.4 per cent in production over 1955-56. The increase in area during the current year has been shared by Madhya Pradesh, Punjab, Rajasthan and Delhi. This increase is generally attributed to the favourable climatic conditions at the time of sowing. The increases recorded in these States have, however, been offset to some extent by decreases registered mainly in Bihar and Bombay States. The increase in production has been shared by Punjab, Rajasthan, Madhya Pradesh and Uttar Pradesh, and has been attributed partly to increase in area and partly to favourable weather conditions during the growing period.

PRODUCTION OF MICA IN INDIA

The production and export of mica had increased in recent years, said Shri K. D. Malaviya, Union Minister for Mines and Oil, in reply to a question by Shrimati Ila Pal Choudhury in the Lok Sabha recently. The Minister further added that an Export Promotion Council for mica had been set up to maintain and develop mica export trade. Shri Malaviya also placed a statement on the table of the House giving the comparative figures of production and export of mica from 1953 to 1956.

Year	Production (Quantity in '000 Cwts)	Exports (Quantity in '000 Cwts)
1953	245	245
1954	335	335
1955	419	419
1956	437	426

Only from 1956 the reliable statistics of mica in the country were made available under the Mineral Conservation and Development Rules. Prior to this, the statistics of production of mica were mainly based on the export figures which were more or less a true index of mica production in India as the bulk of production is exported.

IMPORT OF WHEAT AND RICE IN 1956-57

The cost of wheat and rice purchased from abroad in 1956 amounted to about Rs. 40 crores, besides the wheat obtained from the USA with aid funds. Food imports, it is reported, were arranged on a calendar year basis. The quantity of wheat imported from the USA during January-April 1957, amounted to 6 lakh tons. The import programme was reviewed from time to time in the light of requirements and availability of shipping. The present intention, is to import about 2½ lakh tons of wheat every month.

FINAL ESTIMATE OF DRY GINGER, 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of dry ginger, 1956-57, puts the current year's area and production at 39,700 acres and 14,900 tons as against the partially revised estimate of 39,800 acres and 15,300 tons for 1955-56. Thus, the current year's estimate shows a nominal decrease of 100 acres or 0.3 per cent in area and 400 tons or 2.6 per cent in production over last year. The decrease in area and production of ginger during the current year occurred in the major ginger-growing States of Kerala and Andhra Pradesh. The decrease in area has been offset to a large extent by increases recorded in all other States. The decrease in production has occurred in Himachal Pradesh, Kerala and Andhra Pradesh, and has been attributed to decrease in area and adverse seasonal conditions during the growing period in these States.

FINAL ESTIMATE OF BLACK PEPPER FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of black pepper, 1956-57, puts the current year's area and production at 233,600 acres and 31,600 tons, as against the partially revised estimate of 232,500 acres and 32,100 tons for 1955-56. This shows an increase of 1,100 acres or 0.5 per cent in area and a decline of 500 tons or 1.6 per cent in production over last year. The increase in area during the current year has been reported mainly by Kerala State. Despite an increase in area, there has been an overall decline in the production of black pepper. The decrease in production occurred in Kerala and Mysore States, and has been attributed generally to the unfavourable weather conditions during the flowering and growing period of the crop.

MORE EXPORT OF MINERALS

India earned nearly Rs. 7 crores more on exports of minerals during 1956 as compared to the preceding year. The total value of exports during the year was Rs. 38.7 crores as against Rs. 31.9 crores during 1955. Mineral exports which fetched foreign exchange worth nearly Rs. 200 crores during the first Plan period showed a significant improvement in 1956. The improvement in the export position was brought about by a large export of iron ore which accounted for an increase of Rs. 3.5 crores in the total foreign exchange earnings through mineral exports. The amount of iron ore exported during 1956 was 1,692,626 tons: in 1955 it was 1,198,458 tons. The increase in foreign demand for iron ore is mostly attributable to the larger output and higher prices of steel in producing countries. The quantum of manganese ore exported decreased by 1.4 lakh tons from 837,283 tons. But the value of exports increased by Rs. 1.2 crores. The shipment of mica was higher in 1956, contributing an increase of Rs. 0.8 crores to the value of exports. Exports of ilmenite registered an all time record of 283,000 tons consistent with the peak production of 334,000 tons during the year.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952 53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953 54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
October 1956 ..	392.5	502·4	405.6	387.9	585.2	417 8	90 4	100 3	82.7	124.9
November ,, c ..	411.6*	514 2*	416.6	387.6	590.6	427.7*	90.1	100.2	82 0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113 8
March ,, c ..	402·7	518·1	403.3	384.1	569.8	421.3	89.9	98.9	79 8	111.5
April ,, c ..	408.3	514.7	400.0	384 3	567.8	422.1	89.9	99.0	78.7	106.8
Week Ending										
30-3-1957 ..	401.4	519.4	400.6	384.1	568.9	420.7*	90.0	98.9	79.3	109 2
6-4-1957 ..	403.4	514 7	398.8	384·0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513 6	399.6	384·1	565.9	421 2	89.9	99.0	78 7	106.8
20-4-1957 ..	411·1	516.4	400.4	384.1	568.5	423.3*	90.0	99.0	78.4	107.0
27-4-1957 ..	411.6	514.0	401.4	384.6	570.6	423.5	90.0	99.0	78.5	106.4
4-5-1957 ..	401.4*	531.0	401.9	384·2	573·6	422.7	90.0	99.1	78.6	105.7
11-5-1957 ..	419.0	534.4	401.8	384.6	570.7	428.9	90.0	99.1	78.6	105.5

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	—	—	356	—	—	145
1956 April	342	358	239	140	338	409	396	147	354	151	144	142
May	341	357	236	141	342	408	396	153	356	149	144	143
June	342	358	240	141	350	419	400	156	365	151	146	146
July	338	354	244	144	365	436	400	153	369	153	148	148
August	344	361	253	147	368	445	403	154	372	154	151	150
September	336	352	256	149	366	445	403	153	368	151	156	149
October	342	358	261	152	364	449	407	153	362	153	153	149
November	340	356	—	154	361	446	407	154	369	157	153	152
December	340	356	—	151	356	436	407	156	370	157	149	150
1957 January	339	355	—	150	354	438	411	156	372	157	144	149
February	341	357	—	150	350	435	411	158	369	157	148	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	10-5-1957			3-5-1957			26-4-1957			19-4-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	108 6	105- 9	106-13	105-15	104-15	105- 8	105-13	105- 6	105-10	106-12	105- 5	105-12
Silver (per 100 fine tolas)	186- 1	182 6	183-15	183-13	182- 0	182-14	181-14	179-13	180 15	182- 1	179- 4	180- 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	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467.41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October ,, ..	1,429,31	21,34	1,450.65	40,02	531,85	571,87	39.42	120,18	700,30	1,450,65
November ,, ..	1 443,67	16,72	1,460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
5-4-1957 ..	1,563,57	7,88	1,571,45	117,76	412,52	530,28	34.0	126,20	914,97	1,571,45
12-4-1957 ..	1,574,42	6,62	1,581,04	117,76	412,52	530,28	33.8	125,85	924,90	1,581,04
19-4-1957 ..	1,569,11	12,38	1,581,49	117,76	412,52	530,28	33 8	126,30	924,90	1,581,49
26-4-1957 ..	1,561,91	20,57	1,582,48	117,76	412,52	530,28	33.7	127,30	924,90	1,582,48
3-5-1957 ..	1,577,11	9,04	1,586,15	117,76	412,52	530,28	33.5	126,00	929,87	1,586,15

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	2,82	406,95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	8,14	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	33,69	292,71	28,03	6,04	133,56	2,85	19,03	89,77	12,83
1953-54* ..	105,44	23,40	46,52	57,45	232,80	13,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July ,, ..	66.46	8,06	52.39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6 44	93,47	60,90	10,09
Week Enbing														
5-4-1957 ..	60,59	7,90	60,00	74,49	202,98	150,30	363,29	7,98	15,24	112,82	15,65	106,04	91,97	13,57
12-4-1957 ..	53,60	1,54	69,83	74,35	199,32	149,22	358,54	6,71	18,41	104,20	18,74	104,40	92,91	13,18
19-4-1957 ..	51,41	5,56	71,89	74,54	203,40	149,05	362,45	12,53	10,01	99,83	15.17	98,80	112,90	13,20
26-4-1957 ..	52,83	6,38	67,60	75,13	201,95	151,82	363,77	20,73	12,48	92,39	16,27	96,24	112,42	13,24
3-5-1957 ..	51,81	4,26	64,06	76,02	196,16	156,41	362,56	9,16	7,81	83,90	15,72	105,31	127,14	13,51

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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.

SUMMARY OF REVENUE AND EXPENDITURE

(In lakhs of rupees)

Revenue				Expenditure			
Heads of Revenue	Budget 1956-57	Revised 1956-57	Budget 1957-58	Head of Expenditure	Budget 1956-57	Revised 1956-57	Budget 1957-58
Customs	1,50,00	1,71,00	1,62,00 6,00*	Direct Demand on Revenue	37,15	37,92	41,80
Union Excise Duties	1,70,35	1,88,73	2,09,43 49,00*	Irrigation	5	8	10
Corporation Tax	48,24	48,24	50,50 4,25*	Debt Services	35,50	38,21	35,00
Taxes on Income	1,41,36	1,41,36	1,47,10 5,75*	Civil Administration	1,35,91	1,33,64	1,91,08
Estate Duty	2,50	2,52	2,52	Currency & Mint	3,76	5,02	6,72
Taxes on Wealth	..	..	15,00*	Civil Works	15,09	14,54	15,93
Taxes on Railway Fares & Freight	..	..	8,00*	Miscellaneous	60,49	59,16	75,73
Opium	2,10	2,24	2,50	Defence Services (Net)	2,03,97	2,02,95	2,52.70
Interest	5,49	5,24	4,90	Contribution & Grants-in-aid to States	38,00	29,60	25,23
Civil Administration	11,06	15,49	43,21	Extraordinary Items	14,70	12,43	23,36
Currency and Mint	23,67	24,48	36,02	TOTAL Expenditure	4,63,87	5,45,43	6,68,09
Civil Works	2,39	2,70	2,95	Surplus on Revenue Account	..	37,94	..
Other Sources of Revenue	19,39	19,32	27,65				
Posts and Telegraphs (Net Contribution)	1,60	5,30	3,09				
Railways (Net contribution)	6,57	6,03	6,67				
Deduct (Shares of Income Tax payable to States)	—55,01	—58,75	—61,14 —3,00*				
Deduct (Share of Estate Duty payable to States	—2,32	—2,41	—2,43				
Deduct (Share of Taxes on Railway Fares & Freight payable to States)	..	..	—8,00*				
TOTAL REVENUE	5,27,39	5,71,49	6,34,97 77,85*	TOTAL	5,45,43	5,71,49	6,68,09
Deficit on Revenue Account	18,04	..	33,12 —77,85*				
TOTAL	5,45,43	5,71,49	6,68,09				

SUMMARY OF CAPITAL TRANSACTIONS

(In Lakhs of Rupees)

Receipts	Budget 1956-57	Revised 1956-57	Budget 1957-58
New Loan	1,39.50	1,89.23	2,09.93
Fifteen-year Annuity Certificates	60	47	80
Inter-State Debt Settlement —India & Burma	..	..	..
Net receipts from:			
Treasury Savings Deposits Certificates	5.00	3.20	4.30
Treasury Bills	3.55.85	2.70.00	3.66.60
Post Office Savings Bank	34.00	33.00	41.60
Post Office Cash Certificates	—1,10	—83	—66
National Savings Certificates	20.60	19.75	23.70
Defence Savings Certificates	—5	—2	—4
National Plan Certificates	11,50	9.50	11,00
Other Unfunded Debt	19.23	18.16	19.12
Railway Depreciation, Revenue Reserve and Development Funds	5,99	11,85	22
Telephone Development Fund	9	27	—10
P. & T. Renewals Reserve Fund	18	30	1,58
Other Miscellaneous Reserve Funds	—95	—65	—85
Appropriation for Reduction or Avoidance of Debt	5,00	5.00	5,00
Deposits under Income Tax Act Net)	—95	—95	14,58
Discount Sinking Fund (Net)	1,29	—1,21	1,59
Payment by Reserve Bank for Rupee Coin	5,00	5,00	5,00
Repayment of Loans by States	27,26	35,38	44,12
Other Loan Repayments	14,79	11,30	11,80
Other Deposits and Advances (Net)	66,89	1,04,97	1,79,43
TOTAL	7.09,72	7,13,75	9,39,52
Deficit on Capital Account	..	..	..
	7,09,72	7,13,75	9.39.52

Disbursements	Budget 1956-57	Revised 1956-57	Budget 1957-58
Capital Outlay:			
Railways	1,13,43	1,03.81	1,24,17
Irrigation	18	20	17
Posts and Telegraphs	9,75	9,85	9,65
Schemes of Agricultural Improvement and Research	3,26	3,22	2,42
Industrial Development	79,60	79,91	1,85,92
Aviation	3,37	3,18	2,38
Broadcasting	1,55	1,40	1,65
Ports	5,76	5,41	5,29
Currency and Coinage	79	1,09	3
Mint	38	31	72
Delhi Capital Outlay	10,07	7,94	7,38
Multi-purpose River Schemes	2,37	2,37	3,72
Electricity Schemes	77	55	37
Civil Works	18,24	18,02	11,37
Commutation of Pensions	—19	—31	—31
Sterling Pensions	—8,82	—9,01	—8,85
Defence Capital Outlay	26,30	21,36	23,54
Schemes of Government Trading	9,51	29,95	49,35
Development Grants	12,39	12,78	10,15
Compensation to Displaced Persons	26,24	12,19	19,91
Shipping and Tankers, etc.	1,35	20	1,64
Transfer of Sale Proceeds of American Loan Commodities			5,30
Other Works			1,52
Other Civil Heads	45	26	38
Discharge of Permanent Debt	4,56	83,81	38,74
Inter-State Settlement	6	3,07	1,45
Advance to State Governments	74,26	2,32,76	2,48,37
Other Loans & Advances	96,00	63,98	67,20
TOTAL	6,91,63	6,97,31	9,06,33
Surplus on Capital Account	18,09	16,44	33,19
	7,09,72	7,13,75	9,39,52

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Back to the Wall

E meeting of the Import Advisory Council ld in New Delhi yesterday was significant ne profoundly new light it has thrown on Government's immediate economic policy. rary to the stubborn adherence to the Plan h seemed to be—perhaps mistakenly—the pub- ppreciation of the Finance Minister's speeches the Budget debate, the tone yesterday was to the point of suggesting that the Go- ment has gone the whole way to meet its s. Mr. Morarji Desai's opening address was del of sombre realism, different certainly in from the militant Government pronounce- s on the Plan. Now, at least, it is certain the foreign exchange crisis is upon us. Not certain is that the cutting back of many ns in the Plan will occur as a consequence of inability to meet the foreign exchange com- ment in this case. Mr. Desai said at one stage t if it was necessary to cut back capital goods s would also have to be done. The Govern- nt of India had, he said, no intention of creat- liabilities which it was unable punctually to charge.

Policy is thus no longer hesitant; it has ac- ired a fine edge and is going to work with a will. This clear statement of policy has done much to clear the air of growing uncertainty. There is no doubt that the foreign exchange crisis, notwithstanding the very drastic measures which are to be taken in the next half year, will last well into 1958. At the same time the Finance Minister has not been slow to gather to himself the control of rupee expenditure which was threatening in the hands of many irresponsible Ministries to go completely out of hand. Two circulars have recently been issued by the Ministry of Finance; one practically decrees cessation of new building, and another stringent priority in regard to current expenditure, which will be more heavily scrutinised by the Financial Advisers of the Ministries. This will give fresh heart to those who believed, sometimes hesitatingly, that the Ministry of Finance still had the power to stay the rot in terms of wasteful expenditure which the Ministries have incurred. There is almost no Ministry free from blame, and perhaps the mention of one or two would tend to be misleading. Nevertheless, in the Ministry of Education and the Social Welfare Board and in the Ministry of Information and Broadcasting one could point to great areas of economy, which needs now to be enforced by the Ministry of Finance since the

Ministries themselves have been incapable of realising the extent to which they were out of tune with the state of the Indian economy.

In the end the rupee outlay position this year is likely to be almost exactly what *The Eastern Economist* has advocated, namely a reduction of about Rs. 80 crores of outlay at the Centre and conceivably Rs. 70 crores in the States. If this is written into the current decisions (which in the last fortnight have shown the capacity for facing unpleasantness greater than in the previous twelve months) one can look on to an intensely difficult economic situation with much more satisfaction than before. At long last the Government of India has shown its basic resilience in economic affairs. It has actually, though unobtrusively, accepted the main basis of the criticism that has been levelled against its wasteful expenditure in the Budget debate. A wise Government accepts the criticisms of its friends even more than plaudits of the masses. The plaudits of the masses have recently been scarce. Perhaps that is one of the reasons why the Government of India is readier to accept the criticism of its friends. But one need not place upon their current action this uncharitable interpretation. The truth seems to be that the Government of India's socialism is subordinate to its healthy pragmatic cast of mind. That, at any rate, one must believe to be the interpretation to be placed on Mr. Morarji Desai's address at the Import Advisory Council and the recent circulars of the Ministry of Finance.

Mr. Morarji Desai issued a warning to the business community that the Government of India would deal severely with those who exploited the situation of shortages following the restriction of imports. It is unlikely that the Government of India has appreciated fully the limitations to which the business community is subject in decreeing restraint through the length and breadth of a country of this size and with millions of unorganised traders. It would be a miracle if decrees of established importers were in fact effective. It is wholly academic to expect the business community to run a system of price restraint, when the Government with all its armoury is unable to work a system of price control. Nor, indeed is this a risk which should be properly run. High prices mean not merely discomfort for the consumer; they involve, if higher profits accrue to non-rupee companies, an additional remittance of foreign exchange which we cannot at this moment afford. A minimum series of price ceilings must, therefore, be enforced by the Government and this should be enforced as soon as restrictions are introduced. There is no point in waiting to see how free markets work. Everyone knows they will work, to a greater or less extent, by equalising demand and supply at a significantly higher price. This method of working is not in the national interest at the present time.

One can look upon the present crisis when India truly has her back to the wall, and feel not merely calm but even exhilarated. The country was living beyond its means and was encouraging itself foolishly to think that the economic progress could be grandly designed on paper and then equally implemented by grandiose talk. All these foolish dreams have ended; now we see ourselves face to face with a crisis which calls for much harder work and far more austerity—greater, indeed, than in the hard days of 1951. This is not the time for recrimination or, indeed, for anger. The Government of India deserves, by the very fact that it takes the main responsibility for seeing us through the crisis, the support of every patriotic citizen of India. It is right that this co-operation should have been sought from the business community but it is not the business community alone that is involved. Much will depend on the character of want under pressure than on the dealer in search of profit. It is sincerely to be hoped that in this testing time we shall show ourselves greater in stature than in the last three or four years when things have been easy enough to corrupt the morale and to hinder dedication. We might lose in material terms by the pushing back of certain schemes in the Plan, but we will be more ready for the next stage in our journey with a clearer mind and a stouter heart. There will thus be a spiritual gain to set against our material losses. And of dedication it can be said that it is a commodity always in short supply; perhaps, that is why it is always beyond price.

Behind the Congress Scenes

AS usual the All-India Congress Committee has put its seal of approval on the Government's economic policies. This it has done after a deal of rank and file grumbling on the score of Budget proposals. The grumbling by itself has not amounted to much, for the fact remains that the Committee has after all approved unanimously the two official resolutions on the current economic situation and the contemplated food production drive. The rank and file discontent, however, has found its vent in an unsuccessful non-official resolution urging reduction of Ministers' salaries to Rs. 1,000 a month. That the resolution could muster 32 supporters out of 70 members present, has its own lesson which looks differently in two different contexts.

In one context it looks as though the Congress rank and file has within it the power to restrain or reverse the monolithic trends inside the Party. In this context it would only be a matter of time before the opposing section finds itself led by a determined section of the liberal intelligentsia. This may as well turn out to be a flight of the fancy, for in another context (familiar to close observers of the inner working of the Congress party machine) it looks as though the monolithic trends only get confirmed when periodically some sort of an opposition to the leadership is allowed to manifest itself in the manner of Her Majesty's Opposition. In this context discontented rank and file members are merely allowed to let off steam, which is deemed to be in their own interests. What usually happens in this context, again, is that the members who have been most vociferous in their 'opposition' to some of the policies of the leadership are the first to draw themselves closer to them (the leaders). In either context, however, the defeated non-official resolution cannot be invested with any very great significance, for the monolithic trends inside the Congress do not stem so much

from the political as from the economic factors which are largely extraneous to the organisation

If anything, greater significance attaches to the two key resolutions approved by the Committee. Basically this significance lies in the fact that the Congress leaders, as Government leaders, are too powerful to be seriously challenged on their policy planks from within the Party which, after all, is only a junior partner in the enterprise of ruling India. As a rubber-stamping machine it is hard to beat and one cannot, therefore, confidently look up to the Party for bringing about a reversal of unsound or unrealistic official policies. Currently the need for realism is underlined by what are turning out to be over-ambitious investment targets under the second Plan in relation to mobilisable reserves both in real and money terms. As facts and realities have a way of bringing round the intractable, they may be depended upon to do their silent work.

Already the Finance Minister who has made prestige of the size of the second Plan has come down to the extent of telling the latest session of the National Development Council that he would not stick to the revised public sector outlay of Rs. 5,200 crores, but only try to keep the original target of Rs. 4,800 crores intact. It may be recalled here that it was only at the previous session of the Council that the Prime Minister announced that the over-all investment target was being put up by Rs. 400 crores or Rs. 450 crores largely to provide for the increase in prices of capital goods and machinery. If, after all, the target of outlay is not to exceed Rs. 4,800 crores now, it only means that the size of the Plan has been cut back by a twelfth in real terms. If this is so, surely the Government has been protesting too much!

This is not the whole story, for there are indications that in-as-much as the 'core' of the Plan (in respect of coal, steel, transport and ancillary power) cannot be implemented fully in view of foreign exchange difficulties, the investment targets will get automatically reduced in actual practice. If, on the other hand, the 'core' of the Plan is pushed through by getting foreign exchange through a vigorous export drive (which, the Finance Minister thinks, will be facilitated by the expected restraints on domestic consumption following the additional excise levies) the rupee resources needed for that 'core' may only be just sufficient. In which case, projects and schemes outside the 'core' will automatically come in for pruning or for postponement. This way, again, the size of the Plan in relation to the Five-Year period will have been further cut down. This journal which, along with the Planners, was enthusiastic about the original size of the second Plan has done some re-thinking and abated its former enthusiasm to some degree. But men in power who were for a bigger Plan can hardly be expected to tone down their original enthusiasm all too suddenly. The obvious reasons for their slow stepping down are political and psychological, and this is understandable.

In a sense the meeting of the National Development Council, more or less synchronising with the A.-I.C.C. meeting, has greater significance for the simple reason that the Council is a high-level body which is more administrative than political in character. The State Chief Ministers on this body have been frankly told that if their respective Plans are not to be curtailed, they should raise further resources of their own. But the Centre has been told, in reply, that the States would not be in a position to raise more than Rs. 20 crores in all by additional taxation this year after the large tax efforts by the Centre. This means that there will be an inevitable shortfall in expenditure under the State Plans this year even as there was a shortfall to the tune of Rs. 45 crores in their first-year outlay. This year the shortfall is likely to be larger, for the Centre is determined not to exceed the figure of Rs. 275 crores for deficit financing. It may be noted that if the Centre is not to contribute to the State Plans by way of grants, loans and advances to the tune of around Rs. 275 crores, the need for deficit financing in respect of the Central projects would not be there.

In other words, deficit financing is largely intended for the State Plans. If the practical consequences of deficit financing should, by any chance, become alarming, its possible curtailment might involve a further pruning of the State Plans. As the States will be most reluctant to forgo the sales tax on food grains, their prices (which may continue to be higher to the extent of the tax) alongside of deficit financing would only keep the inflationary situation intact. Whether the sales tax on food grains is removed or deficit financing is curtailed the result would be the same as far as the States are concerned, and that is their money resources would be less to that extent and there would be inevitable shortfalls in their proposed outlays for the second year of the Plan. Thus, from the States' side also the second Plan will come to be pruned in actual practice. After all, realism may dawn on the State Governments also which, it may be recalled, went to the Planning Commission with their Draft Plans for a fantastic aggregate expenditure of about Rs. 11,000 crores. The Centre is now shifting the unpleasant task of pruning the State Plans to the States themselves. And the State Plans will be inevitably curtailed by reason of the fact that they have been forbidden additional foreign exchange for six months. To those who have argued that an uncurtailed plan would be impossible, this is satisfaction for what it is worth.

The Debate on Co-operative Farming

THE long-awaited report of the Patil delegation, which visited China last year, has at last seen the light of day. Thus, a further impetus has now been given to the current debate on co-operative farming, its suitability or otherwise for this country. In a way, the report has not come as a surprise. It was common knowledge even from the beginning that the delegation, with its predilection for the Chinese experiment, was bound to be 'conquered' and return truly impressed. This expectation has not been belied. What was a bit unexpected was the minute of dissent by two members of the team which, thanks to some journalistic enterprise, has become common property. It is good that this happened as this dissent note gave a clue to the general tenor of the report to come and also in a way prepared the ground for studying it in the proper perspective.

To be fair to the (majority of the) delegation, it must be conceded that in spite of its convictions about the merits of co-operative farming and its

feasibility in this country, it is not blind to the genuine fears, doubts and objections entertained on the other side. In fact, it goes to the farthest extent in discussing these frankly though how far it succeeds here is quite a different thing. Thus its zeal is tempered by realism and it does not fall into the trap of suggesting any general programme for acceptance by the country since it is conscious of the "danger of a divided leadership on an issue which involves a radical change in an age-old outlook on the part of a naturally conservative class as the farmers". This realistic and tolerant attitude is reflected in two of its recommendations. One is that it does not visualise any compulsion in bringing about the agrarian transformation on co-operative lines and hence the "principle of voluntariness should be scrupulously adhered to". Secondly, it is content for the time being with suggesting a "well-laid demonstration programme" leaving the future of co-operative farming on the success of such a programme. So, it lays down a modest target of about 10,000 co-operatives at the rate of one society for every group of 50 villages in the next four years. By this cautious approach, it indicates that it is aware of the enormity of the task in the transformation of an age-old practice and the numerous difficulties involved in bringing about a peaceful and smooth transition from family farming to co-operative farming.

The delegation pleads that there must be a positive view about the goodness or badness of the programme of agrarian co-operatives. If it is good, it says, it is the duty of the Government to sponsor it. If it is bad, it should be excluded. It is here that one finds a fallacy in reasoning. A thing may be good in theory with the various safeguards and qualifications governing it, but the trouble just arises when it is brought into the realm of practice. In a mass programme involving tens of thousands of human beings, the subtle distinctions that look so plausible in theory, for example, between voluntariness and coercion, wear thin. In a programme actively sponsored by the State, in the temptation to produce quick results, voluntariness may easily slide into coercion and once this trend finds its way, there are no means of checking it.

Even assuming that co-operative farming has many virtues and it is a panacea for all our agrarian problems (which is not quite the case as will be argued later) the fears expressed by the dissenting members cannot be dismissed lightly. Though these members would welcome the development of co-operative farming in places where farmers undertake farming operations in common "under *exceptionally* favourable and psychological conditions and where good leadership is available", they have no hesitation in considering that "it would be dangerous for Government to launch a programme of general co-operativisation, as launching of such a programme would ultimately mean use of coercion in one way or another." The majority of the delegation themselves do not deny the existence of mass violence in the Chinese land reform programme but in the co-operative movement, they somehow persuade themselves to believe that the elements of violence and fear are absent and there is only enthusiasm and activity. This seems contrary to facts as the different stages in the history of the formation of the Chinese co-operatives, as Vice-Premier Tang-tsu Hui himself has admitted, are based on "class struggle, first the landlords versus all peasants and then the rich peasants versus the poor peasants". To believe that this "complete proletarianism" of the peasantry, which is the basic tenet of the Marxist-Leninist thesis, could be brought about without the coercive element is to fly against facts. The theoretical freedom of the peasants to keep out of the co-operatives in this context is meaningless since it is impossible for them to function independently. It is quite unnecessary to labour the point further that collectivisation in China has been achieved through great stress and violence. To expect that such a programme can be adopted here without in the process giving room to the ideology governing it to make it a success will be nothing short of naivete.

The dissenting members have rightly contended the claim of the majority that co-operativisation of agricultural production will be the remedy for all our agrarian problems. "According to them (the majority)", the minority members point out "it would solve at once stroke the problem of small holdings, the problem of unemployment, the problem of poor technique, the problem of low productivity and income, the problem of diversification of agriculture, the problem of casteism and the problem of the landless." This certainly is a tall claim and is not borne by past experience of even the few co-operative farms in this country. The report of the Programme Evaluation organisation of the Planning Commission in regard to the working of these societies must be an eye-opener. As for the growth of co-operative endeavour in the community project areas, there is again the testimony of the latest report of the Programme Evaluation Organisation. It says "Except for a few project areas....., the movement is still largely official in initiative and support, and has not evoked that sense of identification and member responsibility without which there can be no real or lasting progress in the co-operative movement." If that were to be the position in regard to co-operative effort in general, what is the chance of generating enthusiasm for co-operative farming in the peasant when it will be known that he will be deprived of individual ownership of land ultimately?

If voluntariness is to be the basis of co-operative farming, one has to seriously consider whether the cultivators can be *persuaded* to give that high degree of co-operation that will be required to make a success of this experiment. Can it not be also that in the long run personal attachment to the soil will prove the most efficient way of using he land? The majority in the delegation have contended that co-operatives can raise production. The minority members have, however, shown how in China the increase in production is to be attributed more to the provision of technical advice, improved techniques, better seeds and so on rather than to co-operative farming as such. There is considerable substance in their view that since, in the system of family farming, the peasant benefits directly, favourable institutional arrangements to help the peasant through Government agencies will help considerably in augmenting production. Surely there seems to be enough area to extend the co-operative principle without denying the [illegible]t the incentives and pride of ownership of [illegible]and. It will be unfortunate if co-operative farming were made an ideological creed to make up for the failures in land reforms.

THE WEEK'S NOTES

RIOTING IN FORMOSA

THE ANTI-AMERICAN rioting in Formosa, following on the heals of similar riots in South Korea and Japan, is noteworthy for its explosiveness and virulence. According to the official version of the American State Department, the inside of the Embassy was "totally wrecked" and the building of the United States Information Service was "completely destroyed". All Embassy cars were either burnt down or were otherwise rendered unserviceable. How such a serious situation could develop so suddenly is not easy to understand unless one looks beyond the immediate cause which sparked the situation. After all, the mere acquittal of the American Master Sergeant Robert Reynolds could hardly have driven the people to such excesses. A single case of the failure of what must have looked to the Formosan mobs justice could not have possibly caused such an emotional disturbance as to lead the mobs to violence on such a scale. That basic provocation perhaps came from the extra-territorial rights enjoyed by the Americans in Formosa. What aroused the wrath of the Formosans was not therefore so much the manslaughter committed by an American serviceman as his immunity from the normal processes of Formosan law courts. It was, after all, not on the day Master Sergeant Reynolds committed the dastardly deed that the riots broke out; it was only when the American court martial acquitted him that the mass fury exploded into widespread attacks against American property and personnel. The extra-territorial rights seem to have been the prime source of trouble.

The subsequent developments in Formosa seem to confirm this impression. Chiang Kai-shek's countermeasures are of a nature and magnitude as to be unwarranted by a single unsavoury incident. The dismissal of as many as three high-ranking army commanders, arrest of 70 "ring-leaders" and the proclamation of Martial Law are actions too sweeping by any standards, assuming that the cause of the rioting was what it has been stated to have been.

Not only the extra-territorial rights enjoyed by the Americans are incompatible with national sovereignty but they are doubly obnoxious to the Chinese, thanks to their past history. The Western domination of China in the 19th century and in the first three decades of the present century was achieved through imposition of unequal treaties and the principle of extra-territoriality. The abhorence has become more pronounced due to the comparison that is provided by the defiant attitude of Red China and comparatively the abject behaviour of the Nationalist regime vis-a-vis America, a Western power. Herein lie the real cause and the future danger. If the feeling of domination, and consequent frustration gains ground in Formosa, as it threatens to do at the moment, a whole series of embarrassing problems may be created for the free world. Peking's siren song of "liquidation of American slavery in Formosa" may then lead many a Chinese on the island into a mood and behaviour that may easily undo what America has done to defend and help the island fortress of the Chinese Nationalists.

The Philippine soldier-diplomat, General Romulo is right in his diagnosis of the malaise in South Korea, Japan and Formosa. The riots in these countries, he asserts, were not an expression of anti-American sentiment but were due to violation of the national sovereignty of those countries. General Romulo's frank appraisal will perhaps help the United States to realize the need for greater delicacy and subtlety in its dealings with its Asian friends.

SOCIALISM WITHOUT MORALITY

THE WELL-KNOWN Communist novelist of America, Mr. Howard Fast, has resigned his membership of the Communist Party of the United States. In a recent issue of "Masses and Mainstream," the American Communist cultural magazine, he has explained why he has taken that step — "with distaste and soul-sickness." The document is worth pursuing. It is a scathing indictment of the Soviet Union at the hands of an intellectual who had lent decency and respectability to the callous creed of Communism. Mr. Fast's resignation is "a protest against the course of events in the Communist world" and against the Party which, "mostly through events beyond its control, is compromised to a point where it can no longer make any contribution to the continuing struggle for democracy and social justice". He had, like many others within the Communist Party, realized long before Mr. Khrushchev's "secret speech" appeared in the Press that "something was tragically wrong" in the world Communist movement. But he was not prepared for "the explosive and hellish revelations" contained therein. 'The dimensions of this horror were not only beyond anything we could have dreamed of — but also beyond, far beyond, the worst accusations of the worst enemies of the Soviet Union", he remarks.

On reading the "unspeakable document", Mr. Fast writes, he "felt a sense of unmitigated mental nausea" at the realization that he had "supported and defended this murderous bloodbath". He also felt that he had been a "victim of the most incredible swindle in modern times". He has described Mr. Khrushchev's explanation of these tragic happenings — the "cult of the individual" — as "not only empty, but almost facetious in the unrelatedness to the event it describes". Mr. Fast remarks that "the contrast of a socialist state claiming to be the highest type of social organization on earth, yet lacking the rudimentary legal rights and protections which both the United States and England grant their citizens is thought-provoking, to say the least". Thereafter, Mr. Fast sums up the Soviet system so succinctly that a longish quotation seems excusable: "In Russia, we have socialism without democracy. We have socialism without trial by jury, habeas corpus, or the right against self-incrimination, which is no more or less than protection against the abuse of confession by torture. We have socialism without civil liberty. We have socialism without public avenues to protest. We have socialism without any right of free artistic creation. In so many words, we have socialism without morality".

Mr. Fast also considers the post-Stalin era in which the world has been treated to a new kind of diplomacy — "diplomacy by insult and vulgarity". Anti-semitism has been "elevated" to foreign policy, and a new kind of socialism has been demonstrated in Hungary — "socialism by slaughter and terror". He asserts, however, that there exists within the Soviet Union, due to "the brutalized and dehumanized practice of power", an increasing contradiction between Communist leadership and the Soviet people. "It is the very lack of any operative channel for either free elections or free recall in the Soviet Union that has so far prevented the change of Government that the society is ready", he contends. Mr. Fast appeals, therefore, to both Communist and Socialists to combat "the cruelest and strangest development of history", if they want to end "the present agony of mankind".

NEPAL: WHAT NEXT?

IN NEPAL, India's next door neighbour, the political situation seems to have deteriorated once again. The

Nepali Congress Party has demanded the establishment of an elected sovereign Constituent Assembly before the year runs out and has threatened with "direct action" if its demand is not conceded. Mr. Tanka Prasad Acharya, the Nepali Prime Minister, has opposed this demand on the ground that such a constituent assembly might take into its head to dispense with the monarchy itself. He has, therefore, suggested that the King should himself give the country its draft constitution which should be discussed and approved by the constituent assembly.

Apparently though the suggestion seems to be anti-democratic, in the situation as it pertains these days in Nepal, it will be wrong to make a fetish of democracy and sovereignty of the people. Nepal lacks political cohesiveness, being riven by feuds of as many as 25 political parties. Of the half a dozen parties, which are really noteworthy, besides the Nepali Congress and the Praja Parishad, the Rana-led Gurkha Parishad and the Communist Party, are reckonable factors in Nepal's politics—the last two parties are, for different reasons, interested in disorder and instability. Only recently, the Nepal Government had to rush its army and police to restore peace and order in southern Nepal where Communist-led armed peasants had established a "Telangana". Moreover, Nepal lacks administrative machinery so essential to run a modern democratic State. The only person, who has been able to ensure cohesiveness to the country's politics and who, unlike most of the political leaders is modern and progressive in his outlook, is the King.

Thus, what is needed in Nepal today is progressive enlargement of the participation of the people in the Government of Nepal culminating ultimately in the establishment of a constitutional monarchy and full-fledged democratic institutions. Such an arrangement will among other things be a guarantee of continuity with the past, the virtue and value of which cannot be overemphasized in a backward country like Nepal.

INDIA AND THE BAGHDAD PACT

FROM THE public guarantee of territorial integrity of the Baghdad Pact powers to membership of the military committee of the five-nation Baghdad Pact was for America but a short step. This step was perhaps even inevitable as a part of its policy of increasing association with the Baghdad Pact, especially after the weakening of the Anglo-French influence in the Middle East and the spectacular growth of Russian influence there. This development is, however, bound to raise apprehensions in the minds of many Indians whose thinking is inevitably conditioned by what happens in or to Pakistan. The United States has, therefore, done well to declare publicly that its membership of the military committee and its participation in the planning of defence of the area will be limited to combating the Communist menace and that it carries no commitment in regard to any other matter. This is obviously intended to allay Indian fears.

It is, however, a pity that no serious attempt has apparently been made by America to help solve those problems which have been bedevilling the political situation in the Middle East. On this sub-continent, too, the same forces at work. It was, after all, the strained Israeli-Arab relations which opened the floodgates for Communist penetration and forced Egypt to buy arms from Russia and its satellites. In India this danger arises from the fear — real or imaginary — of the military strength of Pakistan. The delay in arm deliveries by the Western Powers, notably Britain, is already creating a predisposition to accepting Soviet intentions on face value and an arms offer, hitherto dangled about, may now be seriously made by Russia. It is an open secret that there are persons in important positions in India who will see herein an opportunity to push the country closer to the Soviet Union. Thus, in the absence of the solution of the problems which vitiate the political situation from the banks of Nile to those of Brahmputra, there is a danger that this policy of defence pacts to contain Communism may become self-defeating.

N.D.C., FOOD AND REFUGEES

ONE OF the problems that confronted the National Development Council at its session in New Delhi this week was to find ways and means for increasing agricultural production. Towards this end, it has suggested the fixation of minimum prices for food grains, though what they should be and whether they should be different for different regions has not finally been decided. It may look odd that the Council should have suggested the fixation of floor prices when what is more necessary is to fix a ceiling in the present phase of rising food grain prices. The idea seems to be to provide an incentive for the agriculturist to produce more which would help in easing the price situation. The contention that floor prices are required to provide incentives for greater production cannot hold water at this juncture because the prevailing prices which are fairly high are good enough incentives if any such are required. The Deputy Chairman of the Planning Commission has proposed to take steps for increasing production by three million tons each year. It would have been better if the public had been made aware what those steps would be.

Another problem that dominated the deliberations of the Council on the first day was the disturbing state of displaced persons from East Pakistan. Over a million of them are still awaiting rehabilitation. This is an enormous task, particularly because of the unending stream of refugees from East Pakistan, on the one hand, and their reluctance, in general, to move out of West Bengal, on the other. A high-powered committee, with the Union Home Minister as chairman, has been set up to tackle this problem. Large areas falling within the States of Madhya Pradesh, Orissa, and Andhra have been earmarked for the rehabilitation of these displaced persons and an autonomous body has been created for the achievement of this objective. The rehabilitation of about a million refugees can be successfully accomplished only if the refugees from East Pakistan agree to settle down in States other than West Bengal.

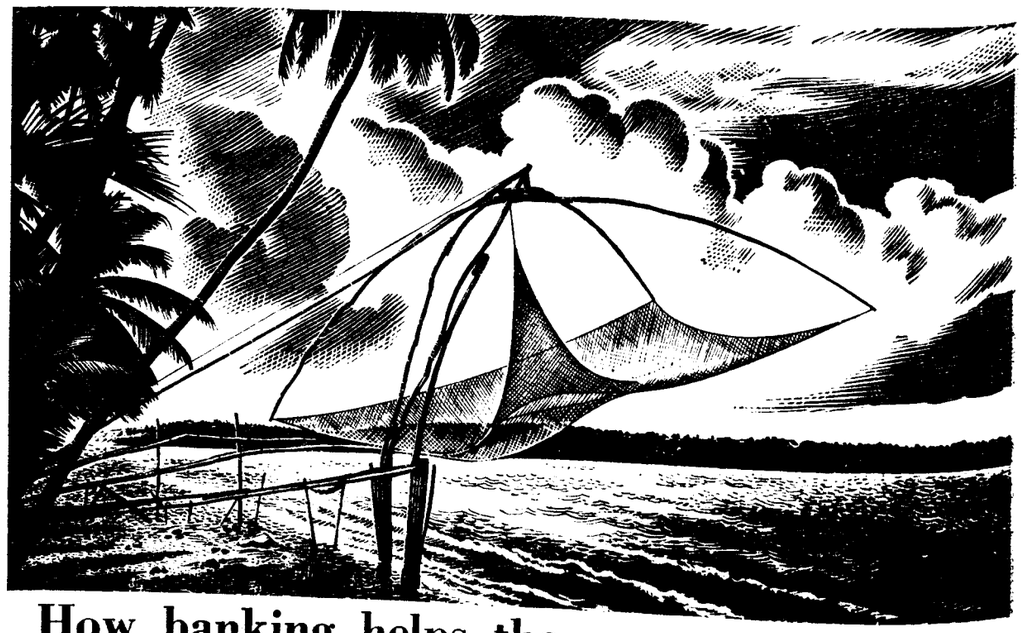
INDIA'S FOREIGN EXCHANGE NEEDS

IN A note on the country's economic situation, the Planning Commission has disclosed that foreign exchange to the extent of Rs. 600 crores more than what has been promised is necessary to meet the commitments under the second Five-Year Plan. The note reveals that foreign holdings of the Reserve Bank which were being depeleted at the rate of Rs. 5 crores to Rs. 6 crores a week in February, March and April, 1957, were going down at the rate of Rs. 9 crores a week in May. Steps had, however, been taken to arrest the fall and may have effect shortly.

The present level of India's foreign exchange reserves was Rs. 470 crores. The statutory minimum prescribed as currency reserve was Rs. 400 crores. Leaving a working balance of Rs. 40 crores, the reserves were negligible. The unutilised standby credit of Rs. 1.5 crores obtained from the International Monetary Fund, may, however, give a brief respite. The total draft on foreign holdings of the Reserve Bank during the 14 months ending May 1957, was Rs. 335 crores. A credit of Rs. 60.7 crores was obtained from the International Monetary Fund. The actual fall in the bank's holdings was thus Rs. 275 crores.

Prospects of bridging the foreign exchange gap are not held as very hopeful. On the other hand, the importance of cutting imports, stepping up exports, even at the cost of curtailing domestic supplies, and other remedial measures have been stressed.





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RURAL INDUSTRY

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THE MORE THAT experience of nationalisation and direct executive action in commerce, industry, and agriculture accumulates, the clearer does it become that government executive action is not more efficient than Free Enterprise and in many cases less efficient, and in its social and psychological effects less desirable.

I agree that in this mid-twentieth century, it is the responsibility of governments to maintain (to the extent that it is within their power) the economic climate in which the national economy is to evolve. This is not the role of the industrial leaders of Free Enterprise because they have not the information at their disposal to see the national economy as a whole and because they might be biased in favour of their sectional interests.

Every government should have properly organised economic research services to provide data on which decisions of national policy can be taken. While we should not be deceived by the world-wide myth that bureaucrats are above all human prejudices, superbly impartial, blind to all save the national interest, we can concede that in certain circumstances their own bias may not clash with the national interest, and that in a democracy the voters have at least the periodical right to throw out ministries whose policies they have found wanting.

How can the bias of government departments be minimised so that their decisions coincide more closely with the national interest? Anyone who has ever worked in a responsible position in a government department knows that the civil servant's first pre-occupation must be to conserve and enlarge the importance and sphere of influence of his own department. All cases that come up for decision, which do not raise problems concerning the department itself, will be decided on merits as far as is humanly possible. Otherwise not.

The problem, then, is to find a system which will, by setting an automatic limit to the growth of a department's sphere of influence, minimise the departmental urge to condition decisions in such a way as to preserve departmental rights, and set civil servants free to judge cases on their merits.

Now, as long as Socialism is interpreted to mean executive implementation by government of policies, the continuous extension of the executive power of civil servants (as in the control of nationalised railways, mines, banks, engineering plants, and so on) will spread. Clearly the more that a state enlarges its entrepreneurial economic activities, the more diffuse must control over detail become, the more minutely must its administrative or industrial problems be solved according to fool-proof rules laid down in a code book from on high. I do not suggest that a wholly Socialist economy must grind itself to a halt, but that it must be slower, less efficient, conducted with less enterprise, elasticity, and resourcefulness.

The ideal would be a system in which the state, backed by economic research services formulates national policies but leaves executive implementation to industrialists, remembering that whereas losses are rarely even noticed by civil servants and merely passed on to the taxpayer, business men are expected to demonstrate efficiency by making profits, failing which they are liquidated — in the traditional and unsinister sense of the word — by going bankrupt. By removing executive duties from civil servants, you would automatically limit the potential sphere for departmental expansion and increase the margin for judging cases on their own merits. In other words, the ever continuing spread of government control over civilian life and enterprise would be halted.

CONCRETE EXAMPLES

From these generalisations let us descend to concrete examples, prompted by my recent investigations into the economy of Wales. In the inter-war years, 40 per cent of the workers of South Wales were employed in the coal mining, iron, steel and tinplate industries. When the depression came these industries were hit and South Wales became listless with a million despairing unemployed. Today, South Wales enjoys full employment. Only 25 per cent are in the traditional industries, while 29 per cent are now in others. The doctrinaire Socialist credits this to state action, and doctrinaire individualist to Free Enterprise. The truth is that both systems share the honours which neither could have achieved alone with equally satisfactory present results and future prospects.

The state it was which decided in 1934 that to insist that because sufficient work in the traditional industries of South Wales no longer existed, therefore all the workers must be made to migrate to other parts of the UK, would be nationally disastrous for two reasons:

(1) It would deal a death blow at the life of South Wales by disintegrating hundreds of communities, tens of thousands of families and dispersing them around the UK to spread anti-social feelings, and behaviour, arising from the sense of injury and victimisation which they would naturally feel.

(2) These hundreds of thousands of people would naturally drift to the great industrial conurbations — Greater London, Greater Manchester, Birmingham and the Black Country of the West Midlands, Leeds-Bradford, Merseyside and Tyneside, in which are huddled together in grime, 17 million people.

It was against this background that the problems of industrial location, and its corollary town-planning, began to be studied intensively in the U.K. As described here last week, the upshot was that the government took powers to prevent any factory from being expanded, or a new one built, without licence from the Board of Trade, which tried to direct industry towards those areas where unemployment existed. The Board did not act as a dictator. If it refused to sanction a firm's choice of site, the firm might decide, or threaten, not to build its factory at all. The Socialist, no less than the Conservative, governments of the UK have had the sense to realise that public controls should not be applied in such a way as to dampen or extinguish the individual initiative which is the foundation of all progress.

SOCIALISM AND FREE ENTERPRISE CO-OPERATE

In the event, three factors brought prosperity back to South Wales: (1) The government choice of its remote valleys as sites for war production factories, all of which have now been leased to private enterprise and converted to peace production; (2) the Distribution of Industry and other Acts, which strengthened the Board of Trade's powers of persuasion in relocating industry, giving it funds to build factories to be leased on advantageous terms. The Board has since 1945 spent Rs. 26,00,00,000 in building factories in South Wales. The foregoing two factors were undoubtedly responsible for reversing the trend, but if (3) Free Enterprise, had not followed in the official wake and poured its millions into investment in South Wales, the overall result would have been meagre. This is easily grasped when you consider that one company alone spent Rs. 15,60,00,000 (or more than half the Board of Trade's expenditure) in putting up a vast plant in South Wales, which today employs 5,000 men and women.

The requirements of factory location have changed since the 19th century when they were largely dictated by proximity to the coal fields as a source of power. In the UK, electricity and oil are now widely available and road transport, powered by economical diesel engines, renders the railway unnecessary, even for heavy products. All this sets firms free to choose unconcongested areas. For let it not be overlooked that although conurbations like Calcutta have certain advantages in economic concentration, the disadvantages (listed here last week) are enormous and have to be weighed before it can be decided that they can be ignored.

I am far from suggesting that the UK has solved all the problems of planning for the economically and socially most advantageous relocation of industry. These studies are in their embryonic stages. What still lacks in the UK is a ministry able (a) to advise an industrialist impartially on the relative merits of alternative regions and (b) responsible for considering the location of industry from the viewpoint of national rather than of regional prosperity. The Board of Trade's control over industrial location is decentralised among its regional offices and only cases involving outstanding national projects are referred to London. Moreover, the Board's attitude is affected by its natural anxiety to avoid unemployment in particular areas. But economic growth, indispensable to progress, must involve some shifts in the location of industry and while the one extreme is to uproot a million people because certain traditional industries have been hit, the other is to insist that people must be born, live, and die in the same community. The first leads to social disintegration; the second to stagnation.

A whole literature on industrial re-location and an association to promote it — Town and Country Planning, 28, King Street, London, WC 2 — has grown up in the UK. The broad object is to contract the conurbations and to ruralise industry without wrecking the countryside.

India is so vast that its conurbations seem negligible, until one recalls that UNESCO calculates that the ideal social and economic size for a city is 300,000, and that there are in India no fewer than 18 agglomerations above 300,000; Bombay, 3,000,000; Ahmedabad 800,000; Poona 500,000; Nagpur 450,000; Madras 1,500,000; Madurai 361,000; Amritsar 330,000; Kanpur 800,000; Lucknow 500,000; Agra 400,000; Banaras 360,000; Allahabad 335,000; Calcutta and Howrah 3,000,000; Hyderabad 1,100,000; Indore 320,000; Bangalore 800,000; and Delhi city and environs 1,250,000.

India's problem is the over-population and underemployment of the mofussil. This is the problem with which the UK is beginning to grapple; how to ruralise industry without urbanising the country. It is on this that the Five-Year Planners of Delhi and the Sarvodayans, Vinobaji and J. P. Narayan, should be getting together with those practical idealists, the Patels of the Vallabh Vidyanagar rural university in Gujerat, in order to digest what is being done in the UK and to prepare the way for a rurally industrialised India in which the economic climate is maintained by the state and the wealth created by the enterprise of individuals.

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B.I.C.

WORLDGRAM

AGRICULTURE

Development of Local Manurial Resources: For development of local manurial resources, three schemes had been prepared by the Government of India and forwarded to the State Governments for implementation during the year 1957-58. These schemes were for larger and better utilisation of local manurial resources for the production of manure in villages; production of compost manure in village Panchayats from the night soil; and popularisation of green manurial practices. State Government officers were also given training by the Compost and Sewage Development Officer of the Government of India for a fortnight in January-February, 1957.

*

Food Consumption: In a written reply to a question put by Shri V. P. Nayar, Shri A. P. Jain, Union Minister for Food and Agriculture, stated in the Lok Sabha recently that the estimated 'per capita' availability of food for consumption in terms of calories per day for 1955-56 amounted to 1,257 for cereals, 219 for pulses, 154 for sugar (gur), 78 for vegetable oils and 226 for other protective foods, such as milk and milk products, meat, eggs, fish, fruits, vegetables and nuts. The corresponding figures for calories 'per capita' per day for 1950-51 for these commodities were 1,118, 156, 141,71, and 202 respectively. The figures for vegetable oils and protective foods for 1955-56, it was indicated, were provisional.

*

Sone River Barrage Scheme: In reply to a question by Shri Kamal Singh and Dr. Ram Subhag Singh, the Minister of Irrigation and Power, Shri S. K. Patil, said in Lok Sabha that a project report on the Sone River Barrage scheme had been received from the Bihar Government.

The salient features of the scheme were:

(i) A new Barrage, combined with 24 ft. wide road bridge 4,752 ft. long, five miles upstream of the present Sone anicut;
(ii) New reaches of the left and right bank main canal with a capacity of 8,000 and 3,000 cusecs respectively;
(iii) High level canals from both the main canals to bring under command new areas;
(iv) Total area to be irrigated is 17.11 lakh acres;
(v) Power benefits to the extent of 13,775 kw. for 5 months and 6,570 kw. for 7 months; and
(vi) Estimated cost, excluding power portion and remodelling of existing distribution system is Rs. 13.09 crores.

Shri Patil added that the project report was under technical examination and no decision to undertake the work had yet been taken.

*

Allotment of Agricultural Land to D.P.s from West Pakistan: Shri Mehr Chand Khanna, Minister for Rehabilitation and Minority Affairs told Shri Valiulla in the Rajya Sabha recently that all evacuee agricultural land had not been allotted to the displaced persons. Shri Khanna added that up to January 31, 1957, 30,012 standard acres, 2,19,953 acres and groves worth Rs. 36.51 lakhs had been allotted to 17,310 non-Punjabi land claimants. He said that the total number of quasi-permanent allottees in the Punjab including PEPSU was estimated at 4,75,000. Up to March 31, 1957 'sanads' conferring permanent rights had been issued to 2,24,373 claimants. The area transferred permanently was 18,10,029 standard acres. The evacuee land which was still available was being allotted to the displaced persons who have verified claims for agricultural land.

INDUSTRY

Industrial Co-operative for Handlooms Centre's Loan to Madras: An Industrial Co-operative Society of handloom weavers is being set up at Manavasi, in Tiruchi district of Madras State, with the help of the Central Government. The Co-operative will have 77 members. Of these 60 will be male weavers each having a share of Rs. 50. The rest will be women each of whom will pay a nominal membership fee of one rupee only. The women members of the Co-operative will carry out winding and spooling operations. For executing the scheme the Union Government have sanctioned to the Madras Government an interest-free loan of Rs. 13,800 and a grant of Rs. 4,100. While the loan will be spent on contributing three-fourths of the share capital of the male members and for purchasing looms and accessories, the grant will be used for acquiring accessories for a dye-house and for paying the rent of the premises. The Co-operative will obtain its working capital, which is estimated at Rs. 20,000, as a loan from the Reserve Bank. This is the seventh industrial co-operative in the handloom industry to be set up with the assistance of the Central Government. The object of forming industrial co-operatives is to enable the producer to enjoy the fruits of his labour.

*

Draft Standard for Gold Alloys: The Indian Standards Institution has circulated for eliciting comments a draft specification for Indian standard gold alloys. The draft specifies the purity of five grades of gold alloys. The purity is expressed as a ratio between the weight of pure gold in the gold alloy to its total weight expressed in parts per thousand. The purity of the five standard grades has been specified as 970, 916, 750, 625 and 375. Comments on this draft may be sent before August 15, 1957, to the Indian Standards Institution, 19, University Road, Delhi-8, or its branch offices at Bombay and Calcutta.

*

Yarn Produced by Ambar Charkhas: Shri Nityanand Kanungo, Minister for Commerce stated in the Rajya Sabha recently that the quantity of yarn produced by Ambar charkhas up to May 1, 1957, was 1,052,522 lbs. Out of this a quantity of 474,909 lbs. was utilised for the manufacture of 1,899,635 sq. yards of cloth. He added that arrangements had already been made for weaving another quantity of 404,000 lbs. of yarn. The balance in stock on May 1, 1957, was 173,613 lbs.

*

Cotton Textile Industry for Ceylon: Plans are being developed for the establishment of large-scale textile factories in Ceylon, with an annual production capacity of 85 million yards of cotton textiles, the amount now imported each year. The plan is to establish within five years five spinning mills with 25,000 spindles each. Also, power loom and hand loom units will be established. At first, cotton will be imported from Egypt and other countries. Eventually, about 100,000 acres of land will be brought under cultivation to produce the required 30 million pounds of cotton.

*

Industrial Finance Corporation in South Africa: Dr. de Kock, Governor of the South African Reserve Bank, has announced that a new industrial finance corporation is being set up in South Africa, with the Reserve Bank taking a leading part in the project. Participation has been offered to commercial banks, insurance companies, mining houses, and other financial institutions. In a speech to the Association of Trust Companies in South Africa, Dr. de Kock said that the country's economy appeared to warrant a change of emphasis from restriction to encouragement of private initiative and

enterprise. At present, South Africa's internal and external economic situation would appear to be sound and more stable than it has been for some time but, after a period of exceptionally rapid development, there is as always the danger that the pendulum may swing too much in the other direction, if not checked in time. The change of emphasis in the Reserve Bank's attitude has taken place, not because a stimulus to private capital outlays is considered an immediate necessity, since the economy is still fully extended, but because it takes considerable time to plan new projects and complete preparations. The Governor drew attention to the fact that the Reserve Bank's gold and foreign exchange holdings had increased by £12.5 million between the end of April 1956 and April 1957, against a decrease of £15.5 million in the preceding 12 months. The improvement in the reserve position was not derived from any increase in the net inflow of foreign capital but from any increase in the net inflow of foreign capital but from a surplus on current account, notwithstanding a further relaxation of import control and a continued increase in imports. The surplus was achieved through increased production of gold and increased exports of uranium, wool, and other products.

TRADE

Trade Agreement Between Egypt And India: Shri Morarji Desai, Minister for Commerce and Industry said, in a written reply to a question by Shri Moulana M. Faruqi in the Rajya Sabha recently, that a trade agreement had been concluded between the Governments of India and Egypt recently. Describing the terms of agreement the minister said that in pursuance of the understanding reached, a special Rupee Account had been opened by the State Trading Corporation of India (Private) Limited to provide easy payment facilities to exporters and importers. The Special Account would be used for purchasing cotton and cement from Egypt and the sale proceeds would be used to promote the export of jute goods, tea, pepper, tobacco, electric fans, diesel engines, centrifugal pumps, dry batteries and other engineering, chemical and pharmaceutical products to Egypt.

*

Export of Scrap Metal: Replying to a question by Dr. Raghu Vira about the export of scrap metal, the Minister for Commerce, Shri Nityanand Kanungo, said in the Rajya Sabha recently that scrap metal was being collected in increasing quantities for the use of domestic industries, and the quantities and categories surplus to domestic requirements were allowed for export. The Minister said that it was not true that a number of persons engaged in collecting scrap metal had been rendered jobless and the machines engaged for pressing the metal for export had been rendered idle.

*

Import of Capital Goods on Deferred Payment: The Minister for Industry, Shri Manubhai Shah, said that the Government of India had so far approved arrangements by importers for deferred payment for the import of capital goods in 27 cases. The break-up of these cases according to industry was as follows: Sugar industry 16; chemicals and pharmaceuticals 4; cement 2; paper 2; textile 1; automobiles 1 and glass 1.

*

Export of Manganese Ore: The Minister for Commerce, Shri Nityanand Kanungo, said in the Rajya Sabha that there was no decline in the export of manganese ore during the period April to December 1956. He said the actual exports during this period were 10,44,460 tons as against 10,33,417 tons during the corresponding period of 1955.

FINANCE

Low-Income Group Housing Scheme Loans: Shri Anil K. Chanda, Deputy Minister for Works, Housing and Supply, laid the following statement on the Table of the Rajya Sabha recently in a written reply to a question by Shri Maheswar Naik on the loans sanctioned to the various State Governments up to the end of 1956-57 under the Low-Income Group Housing Scheme: Andhra Pradesh — Rs. 98.44 lakhs; Assam — Rs. 30.92 lakhs; Bihar — Rs. 35.00 lakhs; Bombay — Rs. 126.25 lakhs; Jammu and Kashmir — Rs. 24.50 lakhs; Kerala — Rs. 5.00 lakhs; Madhya Pradesh — Rs. 198.25 lakhs; Madras — Rs. 87.29 lakhs; Mysore — Rs. 104.00 lakhs; Orissa — Rs. 18.00 lakhs; Punjab Rs. 426.50 lakhs; Rajasthan — Rs. 97.40 lakhs; West Bengal — Rs. 58.80 lakhs; Uttar Pradesh — Rs. 310.00 lakhs; Delhi — Rs. 110.22 lakhs; Himachal Pradesh — Rs. 8.20 lakhs; Manipur — Rs. 0.70 lakhs; Pondicherry — Rs. 2.00 lakhs and Tripura — Rs. 1.25 lakhs. Total: Rs. 1,742.82 lakhs.

*

Financial Aid to Andhra: A total sum of Rs. 704.29 lakhs had been sanctioned by the Government of India as loan and grant to Andhra Pradesh for soil conservation and grow more food schemes during 1957-58 The loan for grow more food schemes amounted to Rs. 152.68 lakhs and grant Rs. 12.51 lakhs. In addition, a short-term loan of Rs. 531.50 lakhs was sanctioned for these schemes. For soil conservation schemes, the Government of India sanctioned Rs. 4.58 lakhs as loan and Rs. 3.02 lakhs as grant for the year 1957-58.

*

Exchange Control Between the Sudan and Egypt: The Sudanese Ministry of Finance and Economics has announced exchange control in respect of all transactions with Egypt, effective April 7. The transfer of money to Egypt, which previously had been permitted quite freely, will now be allowed only after permission has been obtained from the Ministry of Finance and Economics. Only money orders of up to LSd 10 may be sent through any post office without formality. Imports to and exports from Egypt will be subject to the same regulations that have previously existed in trade with other countries. The Egyptian Ministry of Finance has restricted imports into Egypt from the Sudan, and instructions have been issued to all Egyptian customs stations that consignments are not to be released except against licences.

*

Polish Exchange Rate: The Polish Press Agency has announced that the Polish zloty has been devalued by one-third in relation to the Soviet ruble, effective May 1. The new exchange rate is Zl 1.50 per ruble, whereas previously the zloty and the ruble had been at par. If this devaluation is in relation to the ruble alone, and applies only to certain service transactions, particularly tourism, it is comparable to the introduction, as of February 11, 1957, of a special exchange rate of Zl 24 per U.S. dollar, applicable to almost all current transactions, other than merchandise trade and connected services, with countries outside the Soviet bloc.

GENERAL

Coal Mines Provident Fund Scheme: The number of subscribers to the Coal Mines Provident Fund till the end of the financial year 1956-57 was 3.33 lakhs. The total accumulation in the fund was Rs. 8.74 crores, of which contributions of subscribers amounted to Rs. 4.13 crores. A sum of Rs. 44 lakhs had so far been distributed amongst subscribers since the introduction of the Provident Fund Scheme.

*

International Tea Agreement: In a written reply to a question by Shri M. Valiulla in the Rajya Sabha, Shri Morarji Desai, Minister for Commerce and Industry, said that difficulty was being experienced in the renewal of the International Tea Agreement. Asked to state the reasons for this, Shri Desai said that it had not been possible for the participating countries to agree on the manner in which the export of tea was to be regulated, should such regulation become necessary in the future.

NEWS IN BRIEF

INDIA

The Government of India has decided to canalise the exports of iron ore through the State Trading Corporation with effect from July 1 this year.

*

A ten-year scheme has been prepared and approved by the Government of India for survey and settlement operation for Tripura. The expenditure sanctioned for the year 1956-57 amounts to Rs. 3,59,840.

*

It is reported an agreement between the International Bank and the Government of India for a loan of 9.8 million dollars for the Tata Trombay Thermal Station Project has been signed.

*

The approximate gross earnings of Indian Railways during the month of March 1957, amounted to Rs. 31.01 crores. They showed a decrease of Rs. 2.44 crores as compared with actuals for March 1956. The approximate coaching earnings for the month amounted to Rs. 11.10 crores and goods earnings to Rs. 18.41 crores. Other earnings amounted to Rs. 1.50 crores.

*

With effect from April 1, 1957, the Ministry of Railways has taken over from the Ministry of Commerce and Industry the work relating to the procurement of the more important categories of steel requirements for the Indian railways.

*

A model co-operation societies bill and rules and by-laws for various types of co-operatives, such as credit, marketing; labour housing, small-scale industries and dairy, have been drafted by the Committee on Co-operative Laws, appointed by the Government of India.

*

The Indian Standards Institution has published an Indian Standard (IS: 886-1957) which relates to basic profile of screw threads as well as design or profiles of nuts and bolts with nominal major diameter 0.25 to 5.00 mm (0.01 to 0.1969 in).

*

Loans and subsidies totalling Rs. 47,91,189 were sanctioned by the Government of India during March, 1957, for the construction of 1,176 tenements under subsidised industrial housing scheme.

*

A sum of Rs. 4.75 lakhs was sanctioned last year for seven multi-purpose development blocks in the tribal areas of former Madhya Pradesh, Rs. 2.25 lakhs for two singular blocks in former Madhya Bharat and Rs. 87,000 for one block in former Vindhya Pradesh.

*

It has been decided to construct a marshalling yard at Tughlakabad, near Delhi, at an estimated cost of Rs. 1.03 crores.

*

In a written reply to Shri V. P. Nayar, in the Lok Sabha, recently, the Finance Minister Shri T. T. Krishnamachari stated that 20,308 private limited companies were at work in India as on March 31, 1957. The total paid-up capital of these companies was Rs. 334 crores.

*

In the first Plan a grant of Rs. 4,86,18,571 was sanctioned to the Punjab Government. Of this Rs. 24,26,968 was disbursed to non-government institutions selected under the scheme.

FOREIGN

Trans World Airlines' world famed Super-G Constellations will start linking India with Ceylon and the US, and other major international capitals of the world, effective June 4th, according to Jules C. Gindraux, TWA's District Sales Chief in India.

*

Kenya's exports increased in 1956 by over £3,000,000 or 13 per cent, while the estimated volume exported showed an increase of some 7 per cent over the previous year.

*

In the first four months of this year total exports of iron and steel from Britain were valued at £72.1 million over 23 per cent more than in the same period of 1956. The increases have been spread over a wide range of products, but the biggest advances have been in sheet and tinplate.

*

It is reported a special Committee appointed by the Japanese Ministry of Trade is working on a plan for establishing an Asian trade area which may take advantage of the Development Loan Fund proposed by President Eisenhower.

*

South Africa's total gold and foreign assets in the week ended May 17 totalled £125,431,000 compared with £24,317,000 a week earlier.

*

In the last year, minerals to the value of £34.8 million were exported from South-West Africa—an increase of £6.5 million compared with 1955.

*

New Zealand's overseas transactions for the 12 months ended April 30, showed a surplus of £4.6 million compared with a deficit of £12.9 million for the previous year.

*

The International Fund has approved an application by Israel for a loan of $3,750,000 for the strengthening of Israel's monetary reserves.

*

World exports of manufactures were $38,545 in 1956 or 14 per cent more than in 1955, according to provisional estimates published in the Board of Trade Journal.

*

It is reported private United States investment in Australia is now higher than in any other country except Britain and about six Latin American nations.

*

It is reported Australian exports would be a record £A1,000 million worth this financial year.

*

World population of some 2,700 million is rising by about 120,000 a day or 43 million a year, according to the UN Demographic Yearbook, just published.

*

In her first Five-Year Plan People's China had increased her steel production as fast as Britain did in the 23 years between 1880 and 1903. The output had been boosted from 1,350,000 tons in 1952 to almost 5,000,000 tons this year.

Announcing the opening of the

TUBE PRODUCTS OF INDIA LTD.

factory at Avadi, Madras

Production has begun of the world famous TRU-WEL Electric Resistance Welded steel tubes

Promoted as a joint venture between Messrs Murugappa and Sons, Madras, and Tube Investments Limited, Birmingham, U.K. (through their subsidiary, Tube Products Limited, Oldbury, Birmingham), Tube Products of India's factory marks an important milestone in the progressive industrialisation of our country.

Planned and developed as a specialised unit to produce ERW steel tubes, Tube Products of India Limited have commenced production of the world famous TRU-WEL Electric Resistance Welded steel tubes.

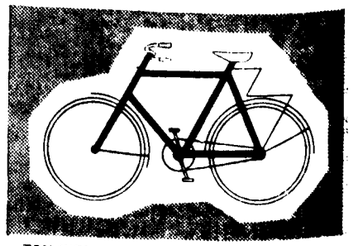
TRU-WEL—a familiar name: TRU-WEL is a familiar name in India. For nearly thirty years Tube Products Limited, Oldbury, our associates, have been the principal suppliers of ERW steel tubes to India. TRU-WEL tubes therefore, enjoy an established reputation for high quality and unrivalled service.

A versatile tube: TRU-WEL tubes combine great strength with exceptional lightness. By skilful manipulation TRU-WEL steel tubes can be made to serve a variety of our developing needs in the home and in industry. The bicycle industry is entirely dependent on it. Motor cars, locomotive boilers and transformers are some of the highly specialised industries which require ERW steel tubes in large quantities.

Tubular seat frames, handrails, struts, support and guard rails, which are in extensive use in body-building and interior furnishings in buses, trains and ships, are other familiar uses. Its use in home and office furniture is becoming increasingly popular.

We are happy that Tube Products of India Ltd. will play a complementary role in Indian industry in that it will serve many of our existing engineering industries and also help to promote many more in the years to come.

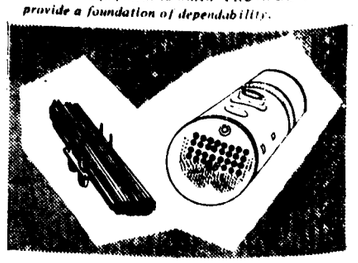
Board of Directors: Sir A. Ramaswamy Mudaliar is the Chairman. The other directors include: Sir Ivan A. R. Stedeford, K.B.E., Chairman of Tube Investments Limited, Birmingham, Mr. A. M. M. Murugappa Chettiar, and Mr. A. M. M. Arunachalam, Partners, Murugappa & Sons, F. W. Martin, Managing Director, Tube Products Limited, Oldbury, Birmingham and Hon'ble Mr. G. R. Macdonald, Director of T. I. (Export) Limited.



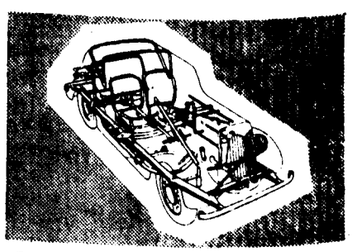
TRU-WEL steel tubes have played a decisive part in the evolution of the slim, light and immensely strong cycle of today.



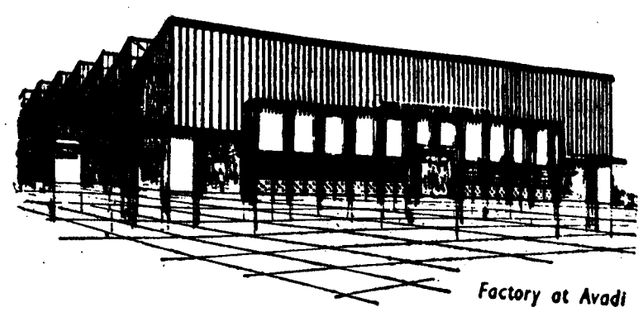
Cooling tubes for transformers - an example of electrical equipment to which TRU-WEL tubes provide a foundation of dependability.



Flawless accuracy and uniform finish make TRU-WEL tubes ideal for locomotive boilers



TRU-WEL tubes are as essential as tyres to the modern motor vehicle. Their applications range from small tubes for radiator overflow pipes to outsize tubes for rear axle casings.



Factory at Avadi

Tube Products of India Limited, "Swastik House", 106, Armenian Street, Madras-1

TP. 93

Economic Report from the U. S.

PORT DEVELOPMENT PROGRAMMES

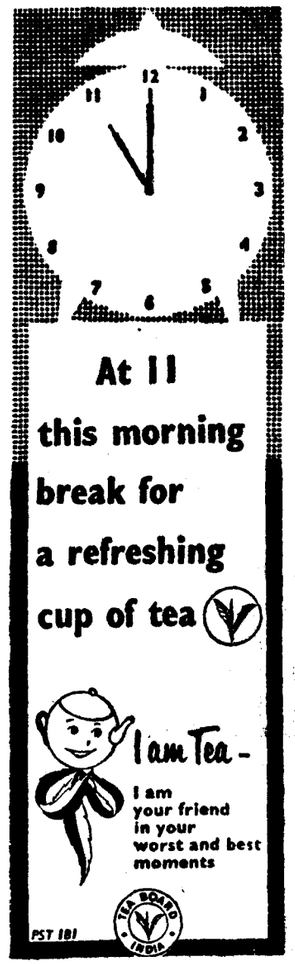
(By GUY SIMS FITCH)

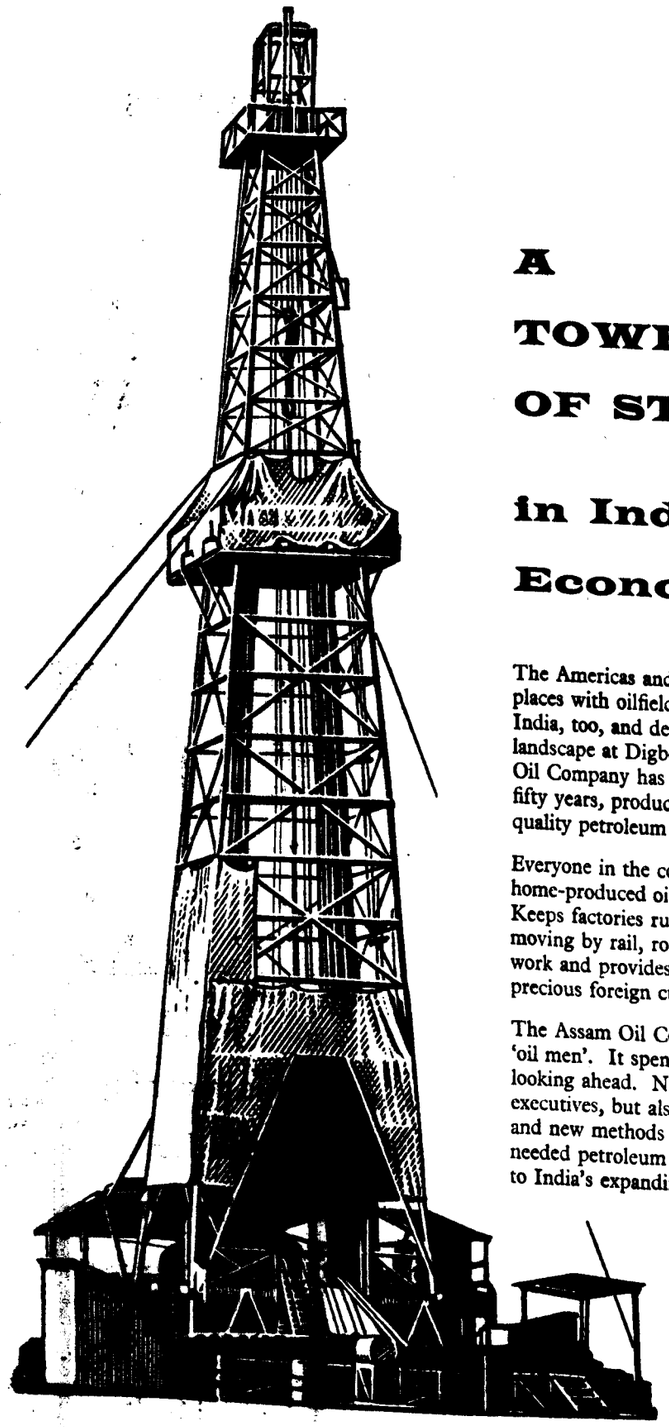
NEW YORK, May 28.—If last week's celebration of World Trade Week—an annual event in the United States—aroused little more than a ripple of excitement, it can be attributed to a simple fact. Expanding international trade has been accepted by the public as a normal accompaniment to the steady economic growth of the United States and other countries.

US trade with the rest of the world set new highs in 1955 and 1956 and may be on its way to another record in 1957. In fact, the value of goods imported into the United States in March, the latest period for which reliable figures are available, set a month high of $130 million. But this trade expansion has brought with it some new problems especially those affecting the nation's ports—its gateways to the world. Since the end of world war II, there has not been an American port that has not enjoyed an increased volume of overseas cargo. With world population and living standards on the rise, the outlook is that this volume will continue to grow. More and more, the nation's port cities are becoming aware of the challenge they face if they are to fulfil the role for which they have been cast. Involved primarily are the improvement of port facilitaties and the widening and deepening of channels. In the past 10 years, US port administrators have poured more than $630 million into new facilities and the rehabilitation of old ones. More than 70 ports, large and small, on every US coast including the great lakes, have participated in this expansion and modernization. Yet even with these vast expenditures, ports have barely kept pace with the rising requirements of international commerce. Despite the progress that has been made, facilities at a number of key ports are still not fully geared to the larger cargoes of today and tomorrow.

Expanding trade opportunities, moreover, are leading not only to more cargo, but also to larger merchant ships and these require deeper and wider port channels. Ocean-going giants already range up to 106,000 deadweight tons, and even bigger ones are in the planning or construction stage. Only a relatively small number of sea ports in the United States, such as New York and San Francisco, now are equipped to handle ships of this size. It is small wonder, then that US port cities are girding as never before to tackle a gigantic building job. To do this, many of them have been reorganizing the methods of administrating port facilities. The majority of US ports now function under some form of public authority. Each port has its own type of operation, of course, but most of these authorities are empowered to build facilities that are needed and to issue bonds to finance them. Ports are no longer being looked on simply as a gonglomeration of wharves and piers over which exports and imports move, but rather as integral parts of community and industrial development. More and more, public authorities are co-operating in community planning to make ports more efficient and more attractive links between sea and land transportation.

The US maritime board also has taken an active interest in port improvement. Recognizing that healthy harbors are indispensable to an enlarged flow of trade, the board has been helping them evaluate both their present and their future needs. As one board official has noted, "commerce and the ships that carry it have a common meeting ground; the terminals at which the ships dock and to which the shippers can bring their goods and in turn get their imports". It is this broad concept from which port development programmes now proceed.





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.

B.O.C. A member of the British Group of Oil Companies

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Special Articles

ESTIMATES OF NATIONAL INCOME: 1948-49—1955-56

THE latest White Paper on "Estimates of National Income: 1948-49 — 1955-56" released by the Central Statistical Organisation last week will be read with great interest for two reasons. In the first place, it sets out the national income figures for the last eight years in a concise form. The Indian economy in these figures moved at an average rate of 3.75 per cent per annum during 1952-53 — 1955-56 as against a hesitant rate of only 1.25 per cent per year during 1948-49 — 1951-52. In the second place, it gives revised estimates of national income for 1954-55. Great interest attaches to the estimates of this year in view of the heated controversy which C.S.O.'s preliminary estimates created last year. The preliminary estimates did some damage to the national interest because they suggested that in one year 1954-55 India had fallen back after its encouraging spurts in 1952-53 and 1953-54.

In a series of articles at the time "The Eastern Economist" called in question the preliminary estimates showing them to be under-estimates and needing revision. It is good that the National Income Unit in the C.S.O. has re-examined them and has rectified its mistake.

The history of economic growth in India during the last eight years as shown in Table I below may be divided into two parts of four years each The first period starting with 1948-49 and ending with 1951-52 may be described as static one which showed a total rise of nearly 5 per cent in national income or a rise of about 1.5 per cent per annum. In per capita terms, therefore, the growth was negligible. The economy took a turn in 1952-53 and during the second period ending in 1955-56, the national income rose by 15 per cent in four years, recording a rise of 3.75 per cent per annum. The rate of growth, in per capita terms, during this period was 2 per cent per annum. It was this impulse in the economy which encouraged the planners to have a target of 5 per cent per year (3.6 per cent in per capita value) in the second Plan.

It will also be seen from this table that the total net output at 1948-49 prices rose by 2.8 per cent in 1954-55 over 1953-54 and not by 1.5 per cent only as shown in the preliminary estimates. "The Eastern Economist" needs to draw the attention of the C.S.O. to a new paradox created by the revised estimates. Table II on the next page compares the preliminary and final estimates of C.S.O. for 1953-54 and 1954-55. It shows that final estimates on constant prices have been under-estimates for both these years while those at current prices have been over-estimates. This needs explanation. The upward revision of preliminary estimates on constant prices shows that the physical output of goods and services is higher in the final estimates. One may wonder why the final estimates at current prices, instead of at best rising at a lower rate, should decline. This is a matter which needs some close scrutiny.

Agricultural production in the years 1953-54, 1954-55 and 1955-56 has almost been the same with marginal differences from year to year. This is clear from Table III on the next page which shows the net national output at 1948-49 prices. In current prices, however, there has been a significant fall in 1954-55 and 1955-56. As against total agricultural income of Rs. 5,200 crores at current prices in 1953-54, the income accruing from agriculture in 1954-55 fell to Rs. 4,230 crores and in 1955-56 to Rs. 4,100 crores. This fall of about Rs. 1,100 crores in the agricultural sector in the last two years shows the magnitude of the swing which the terms of trade took against the agriculturist. The year 1956-57, however, will tell a different story. It is known that the prices in the last year in the agricultural sector have shown a steady upward trend and the terms of trade have once again moved in favour of the agriculturist, at the expense of the non-agriculturist population.

A close examination of the sectors, especially Commerce, Transport and Communications and other services shows that the figures are nothing more than broad estimates. These sectors form the weakest link in national income computations. More fundamental research needs to be done in these sectors in order to make them reliable and useful.

TABLE I

NET NATIONAL OUTPUT AT CURRENT AND CONSTANT PRICES

(1)	1955-56** (2)	1954-55 (3)	1953-54 (4)	1952-53 (5)	1951-52 (6)	1950-51 (7)	1949-50 (8)	1948-49 (9)
Net output in Rs. abja*								
1. At current prices	96.5	96.2	104.8	98.2	99.7	95.3	90.1	86.5
2. At 1948-49 prices	104.2	102.8	100.3	94.6	91.0	88.5	88.2	86.5
Per Capita net output in Rupees								
3. At current prices	252.0	254.4	280.7	266.4	274.0	265.2	253.9	246.9
4. At 1948-49 prices	272.1	271.9	268.7	256.6	250.1	246.3	248.6	246.9
Index number of net output with 1948-49 as base								
5. At current prices	111.6	111.2	121.2	113.5	115.3	110.2	104.2	100.0
6. At 1948-49 prices	120.5	118.8	116.0	109.4	105.2	102.3	102.0	100.0
Index number of per capita net output with 1948-49 as base								
7. At current prices	102.1	103.0	113.7	107.9	111.0	107.4	102.8	100.0
8. At 1948-49 prices	110.2	110.1	108.8	103.9	101.3	99.8	100.7	100.0

*abja=100 crores.

** preliminary

TABLE II

COMPARISON OF PRELIMINARY AND FINAL ESTIMATES OF NATIONAL INCOME IN 1953-54 AND 1954-55

	1953-54			1954-55		
	Preliminary	Final	% Change	Preliminary	Final	% Change
1. Net output in Rs. abja*						
(a) At current prices . . .	106.0	104.8	—1.14	99.1	96.2	—2.93
(b) At 1948-49 prices . . .	99.5	100.3	+0.80	101.7	102.8	+1.08
2. Per Capita net output in Rs.						
(a) At current prices . . .	283.9	280.7	—1.10	262.1	254.4	—2.94
(b) At 1948-49 prices . . .	266.5	268.7	+0.83	269.0	271.9	+1.08

*Abja = 100 crores.

TABLE III

NET NATIONAL OUTPUT AT 1948-49 PRICES

In Rs. abja*

(1)	1955-56** (2)	1954-55 (3)	1953-54 (4)	1952-53 (5)	1951-52 (6)	1950-51 (7)	1949-50 (8)	1948-49 (9)
1. Agriculture, animal husbandry and ancillary activities (a) . .	49.8	50.3	49.8	46.0	44.4	43.4	43.6	42.5
2. Mining, manufacturing and small enterprises	17.5	17.0	16.5	15.8	15.2	14.8	14.6	14.8
3. Commerce, Transport and Communication	19.7	19.1	18.3	17.9	17.3	16.6	16.4	16.0
4. Other services (b)	17.2	16.4	15.7	15.0	14.3	13.9	13.8	13.4
5. Net domestic product at factor cost	104.2	102.8	100.3	94.7	91.2	88.7	88.4	86.7
6. Net earned income from abroad	0.0	0.0	0.0	—0.1	—0.2	—0.2	—0.2	—0.2
7. Net national output at factor cost=national income . . .	104.2	102.8	100.3	94.6	91.0	88.5	88.2	86.5

*abja=100 crores.
** Preliminary

(a) Including forestry and fishery.
(b) Comprising professions and liberal arts, government services (administration), domestic service and house property.

TABLE IV

NATIONAL INCOME FROM AGRICULTURE

In Rs. abja current prices

(1)	1955-56* (2)	1954-55 (3)	1953-54 (4)	1952-53 (5)	1951-52 (6)	1950-51 (7)	1949-50 (8)	1948-49 (9)
1. Agriculture, animal husbandry and ancillary activities . . .	41.0	42.3	52.0	47.1	49.1	47.8	43.8	41.8
2. Forestry	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.6
3. Fishery	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3
4. Total of Agriculture	42.2	43.5	53.1	48.1	50.2	48.9	44.9	42.5

* Preliminary

ENERGY, INDIA AND OIL—I

(CONTRIBUTED)

THERE is a growing sense of realisation that for a country such as India, in the process of dynamic development, one of the key basic commodities which requires close and anxious examination of availability is the supply of Energy. Furthermore it is a commodity which has never been treated effectively in the past as an entity but always separated into its component sources without planned study of the substitutability between the components, and the economics of the most suitable source for the anticipated use.

The components of the energy pattern are well known; the main commercial sources of supply are coal, oil and the power of falling water; part of the output of these various sources is routed to the consumer in varying proportions through the medium of electricity. The non-commercial sources of supply lie in the winds, the tides and solar radiation and, in India by far the greatest source of supply of all, the burning of agricultural and animal wastes.

Of all these forms of energy supply it is apparent that there is only one which moves internationally on a very large scale to fill the vacuum of demand for energy in scores of countries across the earth, and that is oil. It will be self-evident that the ability to meet this demand has not taken place solely by chance, and that the art of forecasting has to be developed most effectively to track demand far ahead for the facilities to be in a position in time to avoid a series of crises and extempore measures.

The world is now at a very interesting stage in economic development. World progress in the last 10 years has been extremely impressive. Exclusive of the Soviet sphere, industrial production has been increasing at an average of about 5 per cent per annum and there would seem to be reasonable hope that future increases will be sustained at a rate approaching this figure.

Of the three basic essentials for industrial advance —material resources, education and capital—it would appear that in general the latter is the principal bottleneck at the present time, though it is arguable that for India at this moment shortage of managerial and technical ability may be running it a very close second. Though the highly industrialised countries have the greatest ability to produce capital they also have a correspondingly large appetite for it, and it is interesting to note that capital formation in Europe has been going at a percentage rate rather higher than before the war. Broadly speaking, the major European countries are investing in capital a proportion of their gross national product which is approaching 20 per cent.

The sums that are becoming available for risk ventures are larger than may be generally thought. A striking example of this is afforded by the amount of money being expended on the building of tankers. The tonnage of tankers now building or planned amounts to a total of no less than 38 million deadweight tons. This compares with the tonnage of the world tanker fleet now afloat of about 45 million deadweight tons. These additions to the world fleets range from medium to the new very large super-tanker and the capital investment required may be of the order of Rs. 3,800 crores. The Oil Companies themselves are only able to provide a small part of this investment and virtually all the remainder is coming from the risk capital markets.

There can be no progress in world development without an abundance of cheap energy and it is anticipated, on a conservative estimate, that the world energy requirements will increase at a rate of about 3½ per cent per annum. World coal production, providing now about 40 per cent of world energy supplies, is hardly more than stationary. Water power is increasing but it is unlikely to advance materially from its present contribution of 3 to 4 per cent of the total. It is important in the long run that atomic energy should be progressed to the maximum economic extent, but it must be remembered that the capital cost of nuclear plant is very heavy in relation to its probable operating expenses. Europe is beginning to move fast in the setting up of nuclear power plants, and many countries are awaiting the practical experience of prototype plants before placing their orders for plants of more advanced design. In the East, India is well advanced in making provision for her atomic future and it is fortunate that atomic minerals are evidently available here in large quantities; but in general even if the most rapid progress is made in the provision of nuclear plants it is unlikely that they will be able to provide more than 5 per cent at most of world energy supplies by 1980.

It is therefore going to be Oil, and only Oil, that will meet the greater part of the world's added energy requirements in the foreseeable future.

Last year the consumption of oil for the world exclusive of the USA and the Soviet sphere, increased by 12½ per cent. This year it seems likely to increase by about 9 or 10 per cent. Leaving the USA apart, it looks as though world oil consumption will have to be at about double the present rate between 1965 and 1970 if the improving trend of living standards is to be maintained. In addition to consumption doubling within this relatively short time, there will be the need to satisfy the increased import requirements of the United States.

To illustrate what this means, the production of oil in the Persian Gulf area, now 160 million tons a year, will have to be doubled some time before 1965. This matter is of some significance to India as it means that there will be a very marked accretion of income to the main producing countries in that area with the probability in sight of a rapidly increasing export market developing for Indian made consumer goods and eventually, capital goods exports.

The problem of the expansion of the demand for energy and the economics of the various sectors of supply, if of great significance on a world scale, are now of vital importance to the planned expansion of the Indian economy. There is one consistent fact that has emerged out of recent history and that is the general tendency to underestimate the forces at work, particularly in the context of the demand for power.

In a highly developed industrial economy it is now proving practical to establish correlations between the projected increases in realisable industrial expansion and also that of the Gross National Product, to yield a projection in the demand for energy.

Inside the total increases of energy the contribution from the sources available—coal, oil, water and the atom—can be established within limits to develop a plan on which the problem can be attacked. This is an exercise which has recently been carried out in detail by the O.E.E.C. for Europe.

In India it is apparent that a study of this nature is urgently required and though it will inevitably be complex the urgency may well be considered to be very great. The complexity arises firstly from the fact

that the demand for commercial energy is rising from a very low base, particularly when considered per capita, and in a situation where the ground is rapidly shifting as entirely new sectors of industrial expansion are developing with different speeds and intensities. The second, and probably greatest element of complexity, arises from the fact that by far the greatest amount of energy consumed in the country is non-industrial and historically has been satisfied by the domestic burning of wood and farm and animal wastes. Even superficial study shows that this is now becoming a situation of great potential difficulty. The burning of farm and animal wastes has an important side effect in the devitalising effect on the land, with correspondingly low crop yields, but it is evident that as the population and prosperity continues to rise demand may rapidly outstrip availability. The availability of these supplies is largely unrelated to increases of population or purchasing power, particularly the animal wastes, and the timber resources are of slow regenerative strength; therefore it is possible that a stage in time is reached when availability moves from surplus to a balance.

From balance the situation would move to an inability to regenerate supplies fast enough and in such a situation, which may well have been reached in India, the gap between demand and supply would widen with increasing rapidity.

It has now become virtually axiomatic in current thought that one of the key bottlenecks that may develop in the 2nd Plan is that of transport, but it must be realised that transport itself depends absolutely on the supply of energy whether in the form of coal, oil or electricity. It is indeed arguable that the most anxious examination should be directed towards the supply of power without which all else fails. It is therefore of great importance that the availability of energy is not squandered.

In this stage of India's development it has been said that the big projects with a long period of gestation must be accompanied by an amount of quick yielding investment, otherwise the process of development will stall. The key to quick yielding investment is the rapid utilisation of power in manufacture or agriculture and it is here that doubts may well arise as to the foresight that has gone into the projected pattern of utilisation of the electric power available from the big projects. History is emphatic in recording that there is a general tendency to underestimate the rate of demand for electric power in an area previously ineffectively supplied. Once the hard won electric power is diverted to transportation on the railways or the more sophisticated manufacturing processes which require unusually high power consumption, then there is no retracing the steps taken, and if the quick yielding industries go short there is no alternative but to adopt expensive emergency additional generating capacity or fail in the objectives.

Parallel with a study of the growth of demand for energy, and measurement of the potential availability, it is evident from what has been said that considerable thought should be given to the substitutability of various sources of energy one with another. It is indeed arguable that it is not enough to consider one big consuming industry and a particular source of supply of energy in isolation, but real study is required first of the economics of substitutability of this energy from other sources to yield the most prosperous economic solution over the widest area.

(To be continued)



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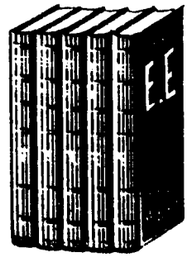
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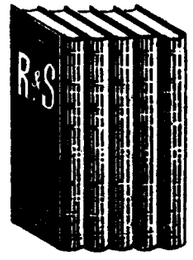
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The Business World

YUGOSLAVIA'S FOREIGN TRADE

ACCORDING to the preliminary data at present available, 1956 was a record year in Yugoslavia's foreign trade. On the whole the general industrial production index, compared with 1955, increased by 10 per cent, the goods exports index rose by 25 per cent and imports by only 7 per cent. In absolute figures the two-way trade amounted to 238,193 billion dinars or $793,976,000 (at the official rate of exchange of 300 dinars to $1). This amount consisted of 96,439 billion dinars worth of exports and 141,754 billion dinars worth of imports, while the actual adverse balance was reduced to only 13,268 billion dinars (last year—21,112) due to the tripartite economic aid which in 1956 amounted to 32,047 billion dinars. In addition to the considerable increase in production, the favourable development of exports was influenced by the consolidation of the home market, improved quality and particularly by the larger range of export goods which included new articles of the Yugoslav processing industry.

In addition, the exports of agricultural produce, particularly those of livestock breeding and grain farming, were increased. The new trade agreements, signed at the beginning of 1956 with some Asian countries, established the basis for the expansion of trade with new areas in addition to the intensification of goods traffic with our most important trade partner—the European countries. On the whole the pattern of trade shows no substantial changes as compared with that of 1955. Thus, in the overall increase of exports, industry and agriculture participated equally, namely, the industrial products exports increased from 50,692 to 60,171 billion dinars, and those of agricultural produce from 26,284 to 36,268 billion dinars; in percentages the ratio of industry to agriculture was 62.4 to 37.6.

The following figures show the dynamics of exports and imports by production branches in 1955 and 1956. With the exception of the timber industry and non-ferrous metals, all branches show a greater or a smaller increase of exports. The substantial increase of the exports in iron and steel industry products from 1,333 to 6,087 billion dinars deserves most attention. In the electrical industry exports were trebled, mainly due to the large increase in exports of cables, electric motors, etc. The exports of coal and crude oil derivatives were doubled: the most important items, in addition to the traditional but limited exports of coal to Austria and Italy, were gas oil and fuel oil together with bitumen. Exports of textile fabrics were more than doubled with about 40 million metres, exports of footwear were doubled while exports of raw skins were reduced as they are now processed in the country. There was a further increase in tobacco exports with a record figure of about 20,000 tons in the value of 6,217 million dinars as compared with 5,103 in 1955.

As compared with 1955, total imports in 1956 were increased by 9,466 billion dinars and rose from 132,288 to 141,754 billion dinars. If one considers the pattern of the imports it will be found that the entire difference was made up of increased imports of wheat, as imports in this branch rose from 25,285 to 34,331 billion dinars.

In regard to the area pattern of the Yugoslav foreign trade in 1956, the general characteristic of this period is a considerable extension of the circle of countries with which trade was maintained viz., about 75 countries in exports and 60 countries in imports. In conformity with the existing tradition and the geographic position this year, again Europe constituted Yugoslavia's most important foreign trade partner. Its participation was 78.9 per cent in the aggregate exports and 61.2 per cent in the imports or in value 76,088 and 88,761 billion dinars respectively. The further normalisation and intensification of trade relations with East European countries, with which trade was carried on within a mutually satisfactory pattern, contributed to a further affirmation of these countries. At the same time exports to Western Europe grew on parallel lines, the trade with the entire EPU area having been brought into a balance which caused a slight decrease of imports, as compared with 1955. The increase of imports from over and above exports to East European countries comprises the import of goods under the investment credit arrangements concluded with some countries. The participation of Western Europe in exports and imports in percentages amounted to 56.2 and 39 per cent respectively, and of Eastern Europe to 22.7 and 22.2 per cent respectively.

Exports to North America remained practically at the same level. The steady expansion of the number of articles in the Yugoslav exports asserting themselves on this important market in the face of a keen competition of other countries is growing steadily so that it is fully justified to optimistically view further developments. In imports, in view of the economic aid granted, USA continues to be the leading country with their supply of food, raw materials and other goods. Trade development with Asian countries turned out to be very favourable, particularly with the Far East where 1955 exports amounted to only 282, and in 1956 to 3,279 million dinars or, by countries, China 1,333, India 1,069 and Burma 485 million dinars. In 1957 a further increase is expected with these countries whose development programmes and market absorption power, as well as the favourable reception of Yugoslav consignment in the past, ensure further sales. Increased trade is also expected in the case of Indonesia, as well as with the Near East countries and particularly with Egypt with whom trade relations have been considerably augmented. In South America trade has suffered a considerable setback as various countries have adopted a new policy of a multilateral payments system for goods and due to the expiration of the existing trade agreements and the need of regulating the relations by new instruments. It is hoped, however, that before long a satisfactory basis will be found for strengthening trade with these countries which are traditional partners and suppliers of Yugoslavia with their products and buyers of Yugoslav goods.

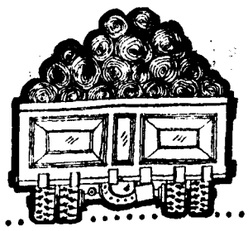
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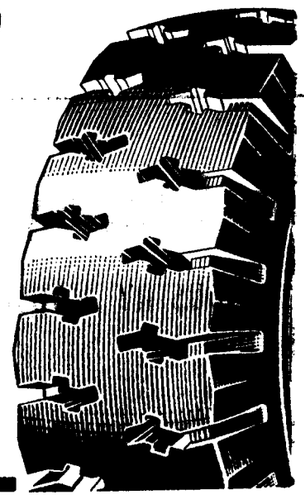


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RE-THINKING ON NATIONALISATION IN U.K.

By

CROESUS

EVIDENTLY nationalisation is losing its charm even to its most ardent advocates in the U.K. The pragmatic Britisher, even if he be a Labourite, has found that instead of being the sovereign remedy, nationalisation could operate not only to the disadvantage of workers but of the nation as well. It is this latter consideration that prompted Sir Hartley Shawcross, Attorney-General in the last Labour Government, openly to denounce nationalisation, especially of industries which have been doing well. "Leave such industries alone for the nation's prosperity" has become the slogan of this veteran Parliamentarian.

Hardly have a few weeks passed since the above statement was made, when yet another top-ranking Labour leader — this time Mr. Richard Stokes, a Minister of Works and Lord Privy Seal in the Attlee Government—has come out to tell his supporters that "it would be silly to nationalise anything for purely doctrinaire reasons". If Sir Hartley made particular mention of the I.C.I. and the Uniliver for his 'hands off' signal, Mr. Stokes had in mind not only the I.C.I. but also the cement and the engineering industries. This reference to engineering industries as not being suited for nationalisation must have been the severest blow to the doctrinaire elements in the Labour Party, especially as this happens to be slated as one of the industries scheduled for rapid nationalisation after the Party comes into power again. But it now looks that, save for a few rabid left-wingers, whose counterparts are not lacking in our own country, socialist opinion in Great Britain will be generally opposed to any further experiments in nationalisation.

It is worthwhile examining why eminent labourites like Sir Hartley and Mr. Stokes have become such staunch opponents of further nationalisation. They are men of such integrity that no one dares to impute motives to them for this seeming "somersault" in their views, or to suggest that they have been corrupted by the rightists in the U.K. But let the reasons given by Sir Hartley and Mr. Stokes speak for them. According to the former, it would be best for the State to leave these industries which have been really faring well severely alone. To nationalise these would lead the country to disaster, he is reported to have declared. Sir Hartley is also concerned that industries in Britain are not progressing as well as they ought to. Although he did not say in as many words that fear of nationalisation was probably one of the main reasons, there can be no gainsaying that he meant it. The other reasons that he listed for the halting progress of industries in his country — although these may not be strictly germane to a discussion on nationalisation of industries — are also noteworthy, and these include taxation policy which is not helpful to investment and modernisation, inefficiency of managements which are indifferent to the needs of competitive production, and lack of interest in their own industry on the part of workers engaged in a given industry. If there is reason to complain of these shortcomings in a country like the U.K. where the workers are reputed to be remarkably conscientious and also duty-conscious, one can unhesitatingly state that these reasons are to be found in Indian industries in an even more glaring or pronounced form.

In this context, what Sir Hartley said about the workers and trade unions in the U.K. applies to workers and trade unions in our country also with equal, if not greater, force. As he observed, it is only natural that the workers and their trade unions should be mainly concerned about their own welfare, but then don't they also owe a duty to their country as nationals of the country? Sir Hartley, it is noteworthy, did not stress this aspect; on the other hand, the shrewd observer of human nature that he is, he put it in a way that could not have failed to go home straight. It is essential, he said, that the workers should realise that their welfare depends upon the welfare of the industry in which they are engaged. He might have added "on the welfare of their country", for, if the health of their country is not all right, how can they themselves be happy?

To turn now to Mr. Stokes's views. These were even more specific than those of Sir Hartley, and Mr. Stokes even went so far as to tell his friends that, if the workers wanted to set things right in any existing industry, the best solution would be for their Government to start a fresh unit of that industry and run it on lines on which they would like the existing units in the private sector to do. Obviously, like Gandhiji, Mr. Stokes is a greater believer in practice than in precept. The reasons he gave for not nationalising the I.C.I. were at once realistic and sound. He categorically stated that it was not practicable to think of nationalising the I.C.I. because their present arrangements with other chemical concerns were so involved. Mr. Stokes is one of those who rightly holds that a mere transfer of ownership of big firms to the State would in itself achieve nothing. To him, even the question of ownership does not matter, provided the Government can control these big firms as was being done during the War.

The reason that Mr. Stokes gave for not wanting to nationalise engineering industries, a pet plank in the Labour platform, was equally realistic. Realising what a great contribution these industries are making to the country's export trade, Mr. Stokes had the courage of his conviction to admit that the engineering industry was particularly active in the export field and that it would be impossible to conduct its affairs successfully if it were ever nationalised.

Anyone would have thought that the powers-that-be in our country would have the wisdom to benefit from this experience of another member, and that a senior member, of the Commonwealth. But, far from doing so, it seems, those at the helm of affairs here would want to go through the experience all over again before becoming disillusioned and retracing their steps. In their new-found enthusiasm for nationalisation, our administrators are out to nationalise not only industries but even trade, conveniently forgetting the clear warning of even the Father of the Nation against the State turning out to be a trader. Apparently they don't believe that seeing is believing, unless it be that they refuse to see. If it pleases them individually to undergo the travail, they are free to do so, provided the sphere of their experiments do not go beyond the confines of their own lives, but they should not forget that, in persisting in the way in which they have been doing to go through the ordeal themselves and thereby landing their country and countrymen also in difficult waters, they are taking a far greater risk than they really need to.

BUSINESS NOTES

THE THIN END OF THE WEDGE?

THE ANNOUNCEMENT last week that the State Trading corporation has been entrusted with the entire export trade of iron ore from July 1 next has come as a veritable bolt from the blue. Sometimes facts can be stranger than fiction and nothing in the contemporary economic scene illustrates this adage better than the history of the State Trading Corporation. The Corporation was set up last year with the ostentatious object of developing trade with Communist countries, since it was felt that a Government agency will be more successful in pushing through barter deals with the totalitarian countries and arranging for imports on Government account. Several sections of the mercantile community were even then apprehensive of this new development. This was deemed quite unnecessary and with justification because a country like the United Kingdom, which carries on a large trade with the Communist countries both of Europe and Asia, is able to develop her trade without the aid of any Government agency. But Government's solemn assurances that they had no intention of ousting private trade out of business to some extent mollified opposition.

But subsequent developments have confirmed the worst fears of the business community when the Corporation entered fields of trade other than those of dealing with the Communist countries. First began the State trading in iron ore and manganese ore and apart from the Communist countries, the S.T.C. extended its operations to non-Communist countries which are the traditional markets like the U.S.A., England and France, thus ousting exporters from the trade. Perhaps whetted by the profits made the S.T.C. began to make incursions in the domestic field also and thus took over the entire business of distribution of cement. Now comes the attempt to monopolise the export of iron ore. Soon it is possible that the list might expand and Government might find some plausible excuse or other every time to justify its action.

To revert to the question of iron ore export, it is the contention of the Government that the S.T.C has certain advantages over the small miners and shippers in respect of the completion of contracts and it would enable better utilisation of transport facilities. No doubt there has been an increase in the export of iron ore and the Corporation has already been able to conclude contracts for 2.1 million tons of iron ore and hopes to step up exports to 2.5 million tons in 1957-58. But is the success of the Corporation not mainly due to the fact that it has been able to get over the transport bottleneck because of the support given by the Government? By the same token, can it not legitimately be asked that if similar facilities were given to private trade, it would have fared equally well? The spreading of the tentacles by the S.T.C. raises two fundamental issues. Is the Government justified in denying private trade its legitimate share contrary to its earlier solemn assurances? Secondly, what is no less important, is the S.T.C. in such an exceptionally sound position from the point of view of organisation to do full justice to the ambitious tasks it has undertaken? An answer must be found for both, sooner or later. Of course, the sooner the better.

EXPORT PROMOTION

ANOTHER IMPORTANT organisation of the business community—the Indian Merchants' Chamber, Bombay, (IMC)—has made a few notable suggestions to augment the much-needed foreign exchange of the country in a memorandum submitted by it to the Export Promotion Committee. While conceding the necessity of the country availing itself of all possible sources of external finance to meet the foreign exchange requirements of the second Plan, the IMC says that, in the ultimate analysis, the problem has to be solved by one's own efforts, that is, to quote the memorandum, "by a careful husbanding of our foreign exchange resources, on the one hand, and by making efforts to increase them on the other". This requires both the maintenance of a minimum level of imports and the maximisation of exports. As the scope for further reduction of imports, in the immediate future, appears very dim, the only alternative left is, as the memorandum says, to increase our exports by creating greater export-mindedness in the country.

As both this Chamber and also other trade bodies, such as the mill interests, have pointed out, the price factor is even more important than export-mindedness; nay, it is of paramount importance to the exporter, for he has to countenance very keen competition in the international markets. This calls for sizeable cuts in the costs of production of our exportable goods, apart from resorting to the well-known devices of export promotion, such as, diversification of export both commodity-wise and country-wise, intensification of propaganda, setting up of special organisations on the lines of the British Trade Research Organisation (BETRO) and the Japan Export Trade Recovery Organisation,—all intended to foster greater export-mindedness. The Chamber suggests, in addition, introduction of some measures to provide special incentives to exporters as are adopted elsewhere. Many fiscal incentives, such as remission of direct taxation, export subsidies, advances to exporters on easy and favourable terms, and preferential rates for conversion of export earnings into domestic currency are provided by other countries. Among these, the IMC lays particular stress on the scheme of remission of income-tax on exporters and urges that this should be conceded and implemented straightway, at least on an experimental basis with a view to finding out its potentialities as a measure of export promotion. It may be recalled that the Gorwala Committee too was in favour of such a scheme. While this would not cost the Government much, that Committee observed, it would provide a "real incentive to exporters".

Another suggestion of the IMC relates to the setting up of a special organisation called an "Export Promotion Cell" with a Deputy Minister at its head in the Ministry of Commerce and Industry to prepare a comprehensive plan for export promotion and to be in charge of the day-to-day work connected with export promotion. The entry of the State Trading Corporation in the sphere of foreign trade, the Chamber points out, "has dampened the initiative of the private enterprise, as the traders fear that the Corporation might enter their business at any time". It urges the Government, therefore, to reiterate its assurance that the S.T.C. will carry on its trading operations only in respect of certain commodities or with only specific countries. Such an assurance would go a long way in removing uncertainties in the minds of the business community which, in turn, should stimulate it to work for export promotion vigorously.

COMPANY AFFAIRS

OPTIMISM FOR SUGAR

Sugar industry has given an outstanding account of itself during the last few years. The production during 1955-56 (1.86 million tons) has exceeded even the revised target (1.80 million tons) for the first Plan. During the last year alone the rise in production was to the tune of 20 per cent. The average recovery of sugar is, however, low and there is enough scope for its improvement by a judicious choice of the sugar-cane quality and the sowing season. Almost all the companies are going ahead with the rehabilitation and modernisation of the plant and machinery and it seems that the sugar industry is capable of maintaining its present rate of growth for some more years to come.

BEGG SUTHERLAND GROUP OF MILLS

The production of sugar in most of the mills in the group was higher than ever. But, it seems that, instead of adding to profits, it has, inflated the stocks of sugar carried forward by the mills. Even the prices remained low because the despatches over the railways were rather disappointing.

Cawnpore Sugar Works, Ltd.: The working results for the year ending October 31, 1956 show a surplus of Rs. 6.65 lakhs after providing for all charges including provisions for Taxation and Depreciation and having written back earlier provisions no longer required. A sum of Rs. 3.50 lakhs has been transferred to Rehabilitation Reserve. The balance is to be disposed of as follows: only a sum of Rs. 80,000 in payment of a dividend on the Preference Shares of 8 per cent per annum free of Income Tax and another sum of Rs. 2,25,000 in payment of a dividend of as. 12 per share an Ordinary Shares free of Income Tax.

The Purtabpore Company, Limited: The results for the year ended October 31, 1956, after making the usual provisions, charging Depreciation, and adjustments, show a profit of Rs. 3,91,334. A sum of Rs 2,50,000 has been transferred to the Rehabilitation Reserve. The balance has been recommend, to be disposed of as follows: A sum of Rs. 60,000 in payment of a dividend of 10 per cent on the Preference Shares, free of Income Tax, for the year ended 31st October, 1956 and another sum of Rs. 67,500 in payment of a dividend of as. 12 per share, free of Income Tax, on the Ordinary Shares for the year ended 31st October, 1956. The balance of Rs. 20,705 will be carried forward.

The quantity of cane crushed by the factory during season 1955-56, was very similar to that in the previous season namely 25,97,018 maunds but the extraction improved from 10.15 per cent in the previous season to 10.22 per cent in the season under review. The factory commenced crushing on the 1st December, 1955 and completed the season on the 14th April, 1956.

The cane price remained at the high rate of Rs. 1-7-0 per maund for Factory gate and Rs. 1-5-0 per maund out-stations, and while the factory did not receive any increase in the quantity of cane crushed, in other parts of India that high cane price produced a very high quantity of cane and a corresponding increase in the quantity of sugar produced in the country. The result of this high production of sugar tended to reduce the market price for sugar and also to increase the quantity of sugar carried over from the season under review to the next season. This carry over of stocks was also aggravated by a shortage of Railway Wagons on the N.E. Railway in the earlier part of the year and this also had its effect in depressing the market price of sugar.

The efficiency of factory operation continued at a very high level while the Company's estates continued to supply cane to the factory and seed cane to growers to assist in improving both the quantity and the quality of the cane offered for crushing.

Champarun Sugar Company, Limited: The results for the year ended 30th June, 1956 after making the usual provisions, charging Depreciation, and adjustments, show a profit of Rs. 5,50,484. After deducting Contingencies Reserve of Rs. 1,10,000 for stock realisation and Rs. 2,55,000 for Rehabilitation Reserve, the amount left at credit of Profit and Loss Account is Rs. 2,09,503. This balance, has been recommend, to be disposed of as follows: A sum of Rs. 1,80,000 in payment of a dividend of Re. 1 per share, free of Income Tax, for the year ended 30th June, 1956 and a carry forward to next account to the extent of Rs. 29,503.

The quantity of cane crushed at the Barrah Factory had improved considerably over previous years and was indeed the highest crush ever taken off at that factory during the last 20 years. The crop taken off at the Chanpatia Factory was disappointing both in quantity and in quality. Barrah Factory crushed 35,52,767 maunds of cane with an extraction of 9.54 per cent while Chanpatia Factory crushed 20,69,019 maunds of cane with an extraction of 9.89 per cent.

Barah Factory commenced crushing operations on the 24th November, 1955 and completed the season on the 5th May, 1956 while Chanpatia Factory commenced crushing on the 12th December, 1955 and completed the season on the 6th April, 1956.

The Balrampur Sugar Company Limited: The results for the year ended 30th June, 1956 after making the usual provisions, charging Depreciation, and adjustments, and after providing a Contingencies Reserve for Stock Realisation of Rs. 70,000 show a loss of Rs. 69,251. From this a sum of Rs. 20,880 has been deducted against the carry forward from the previous year. The Debit balance to be carried forward is Rs. 48,371.

The crops taken off by the Factories in the crushing season covered by this report are disappointing as compared with other factories in the U.P. and Bihar. Balrampur crushed 18,65,905 maunds of cane with an extraction of 9.57 per cent, while Tulsipur crushed 22,00,961 maunds of cane with an extraction of 9.97 per cent. There was an improvement in the quality of the cane supplied to the Tulsipur Factory, but at the Balrampur Factory there was a deterioration in the quality of cane supplied. Balrampur Factory started crushing on the 12th December, 1955 and finished on 16th March, 1956; Tulsipur Factory started crushing on 1st December, 1955 and finished on the 6th April, 1956.

COMMODITY NEWS AND NOTES

EXPORT OF RICE BRAN

The Government of India have decided to release limited quotas for export of rice bran, paddy bran and rice meal of West Bengal-Madras region from all the ports under the jurisdiction of the States of West Bengal, Madras to all permissible destinations up to the end of June 1957 or till the ceiling is reached whichever is earlier.

COAL RAISINGS AND DISPATCHES

The Indian Coal Board has granted permission for the opening and re-opening of mines and seams to nine collieries last month. The raisings and dispatches of coal during March, 1957, from the coal fields of India were 3,652,777 tons and 3,248,399 tons respectively. The daily average loading for April, 1957 from the Bengal Bihar coalfields was 3,780 wagons as against 3,726 wagons in March, 1957.

WORLD COTTON PRODUCTION

The US Agriculture Department estimated world cotton production in 1956-57 at 38,185,000 bales. The Department said this output would be a decline of 1,540,000 bales from the record high 1955-56 production of 39,725,000 bales, and would be the smallest since 1952-53. It was 700,000 bales less than the estimate made by the Department last January.

RUBBER PRODUCTION AND CONSUMPTION

Production of Rubber in India has gone up by 852 tons in April compared with the previous month. Consumption has also increased by 321 tons during the same period. The month by statement issued by the Rubber Board showed production and consumption figures for April at 2,072 tons and 2,907 tons, respectively. The relative figures for the previous month were 1,220 tons and 2,586 tons. The quantity of imported rubber during the month was 649 tons. Stocks with estates and dealers and stocks with manufacturers as on April 30, 1957 were 3,657 tons and 2,532 tons respectively.

FINAL ESTIMATE OF SESAMUM (TIL OR GINGELLY), 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimate of sesamum, 1956-57, puts the current year's area and production at 5,433,000 acres and 451,000 tons, as against the partially revised estimates of 5,653,000 acres and 457,000 tons respectively for 1955-56. This shows a decline of 220,000 acres or 3.9 per cent in area and 6,000 tons or 1.3 per cent in production over the last year. The decline in acreage during the current year has been reported mainly by Madhya Pradesh, Bombay, Mysore, U.P., and Bihar and has been attributed generally to unfavourable climatic conditions at the sowing time. Some increase in acreage has, however, been reported by Rajasthan and Andhra Pradesh. The decline in production has been shared mainly by Madhya Pradesh, Bombay, Bihar and Mysore and has been attributed partly to decrease in area and partly to heavy rains during the growing period of the crop. The decrease in production has, however, been offset to some extent by small increases reported mainly by U.P., Rajasthan and Andhra Pradesh.

NEW PEAK OF MINERAL PRODUCTION DURING 1956

Mineral production in India reached a new peak in 1956, according to the Indian Bureau of Mines who have just published the estimate of mineral production during the year. The total valuation of mineral production was Rs. 116.4 crores which was 10.8 crores more (10 per cent) as compared to the previous year. Coal with an output of 39.4 million tons was the leading commodity that added to the rise in the value of mineral production. It was valued at Rs. 57.6 crores and represented an increase of 1.2 million tons over last year; the share of the State collieries was at about 1 lakh tons. Other minerals that came in order of importance were manganese ore (Rs. 24.7 crores), mica (Rs. 7.7 crores), gold (Rs. 5.8 crores), salt (Rs. 5.5 crores) iron ore (Rs. 3.9 crores) limestone (Rs. 3.3 crores) and copper ore (Rs. 3 crores). Production of metallic minerals valued at Rs. 40 crores in 1956 was higher compared with Rs. 31.8 crores in the preceding year.

SURVEY OF MINERAL TALC IN RAJASTHAN

Dr. M. M. Das, Deputy Minister of Education and Scientific Research, told Shri Raghunath Singh in the Lok Sabha recently that a survey of mineral Talc in Rajasthan had been conducted. In a statement laid on the table of the Sabha in this connection, the Deputy Minister said that Talc or steatite occurrences at the following localities in Rajasthan were examined by the Geological Survey of India during recent years:

(1) The working at Ghevoria in Mewar was examined and steatite from the old pit was found to be of excellent quality.

(2) The following localities in the former Idar State, Rajasthan were examined in 1945-46 field season:

i) Bhanmer
ii) Kundal
iii) Thuravas
iv) Vartha
v) Ghanta

(3) In Bhilwara district, Udaipur, the following localities were examined during the field season 1950-51:

i) Two miles South of Geuria
ii) Two miles North-East of Chandpura
iii) Bugwasa
iv) Kishengarh

In these localities steatite occurs in massive dolomite. The steatite bodies are from 60 to 70 feet to over 250 feet long and 20 feet to about 100 feet in vertical extent, the width varying from 5 to 50 feet. The reserves have not been calculated but are expected to be large.

TIN ORE DEPOSITS IN BIHAR

Shri K. D. Malaviya, Union Minister for Mines and Oil, gave out the areas where occurrences of tin ore were known to exist in Bihar in reply to a question by Shri Kishori Ram in the Rajya Sabha recently. The areas were: Paharsingh hill in Ranchi district; Nurgo, Simratanri, Pihra and Chappatand in Hazaribagh district; and Dhanras Pahar and Chhakarband in Gaya district.

The Minister added that the Geological Survey of India was investigating Paharsingh area for tin ore deposits. The Minister, however, added that no tin mine had been discovered by Government in Bihar.

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. 2.47 per lb. as against Rs. 2.41 per lb. in force from May 1, 1957. There is no change in the existing rate of duty of Naye Paise 25 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 Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952 53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953 54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
October 1956 ..	392.5	502·4	405.6	387.9	585.2	417 8	90.4	100.3	82.7	124.9
November ,, c ..	411.6*	514 2*	416.6	387.6	590.6	427.7*	90.1	100.2	82.0	122.9
December ,, c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February ,, c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March ,, c ..	402·7	518·1	403.3	384.1	569.8	421.3	89.9	98.9	79 8	111.5
April ,, c ..	408.3	514.7	400.0	384 3	567.8	422.1	89.9	99.0	78.7	106.8
Week Ending										
6-4-1957 ..	403.4	514.7	398.8	384·0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513 6	399.6	384·1	565.9	421.2	89.9	99.0	78 7	106.8
20-4-1957 ..	411·1	516.4	400.4	384.1	568.5	423.3*	90.0	99.0	78.4	107.0
27-4-1957 ..	411.6	514.0	401.4	384.6	570.6	423.5	90.0	99.0	78.5	106.4
4-5-1957 ..	401.4*	531.0*	401.9	384·2	573·6	422.7	90.0	99 1	78.6	105.7
11-5-1957 ..	419.0	534.4	401.8	384.6	570.7	428.9	90.0	99.1	78.6	105.5
18-5-1957 ..	423.7	540.6	410.0	390.0	572.9	434.6	89.9	99.1	78.5	103.7

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
				Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Lucknow†	Jamshedpur†	
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	136
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	292	307	257	132	349	434	372	153	325	165	145	138
1951	298	313	257	142	370	451	391	168	334	167	160	144
1952	314	330	261	143	351	441	380	150	330	151	154	141
1953	321	337	250	140	349	453	387	151	351	147	156	145
1954	346	363	275	138	327	408	373	139	341	148	140	138
1955	342	359	244	130	323	371	364	133	321	134	135	132
1956	322	338	218	142	347	424	—	—	356	—	—	145
	336	352	244									
1956 April	342	358	239	140	338	409	396	147	354	151	144	142
May	341	357	236	141	342	408	396	153	356	149	144	143
June	342	358	240	141	350	419	400	156	365	151	146	146
July	338	358	240	144	365	436	400	153	369	153	148	148
August	338	354	244	144	368	445	403	154	372	154	151	150
September	344	361	253	147	366	445	403	153	368	151	156	149
October	336	352	256	149	364	449	407	153	362	153	153	149
November	342	358	261	152	361	446	407	154	369	157	153	152
December	340	356	—	154	356	436	407	156	370	157	149	150
1957 January	340	356	—	151	354	438	411	156	372	157	144	149
February	339	355	—	150	350	435	411	158	369	157	148	148
	341	357	—	150								

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	17-5-1957			10-5-1957			3-5-1957			26-4-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	110- 1	107-15	108-14	108- 6	105- 9	106-13	105-15	104-15	105- 8	105-13	105- 6	105-10
Silver (per 100 fine tolas)	186-11	185- 0	185-10	186- 1	182- 6	183-15	183-13	182- 0	182-14	181-14	179-13	180-15

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES: Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	ASSETS: Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92·53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75·43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59·59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	58·31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54·64	63,98	488,36	1,217,62
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52·89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54·80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56·58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51·35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44·43	114,06	702,66	1,467,41
September ,, ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43·64	117,99	701,18	1,453,43
October ,, ..	1 429,31	21,34	1,450 65	40,02	531,85	571,87	39·42	120,18	700,30	1,450·65
November ,, ..	1 443·67	16,72	1,460,39	117,76	460,22	577,98	39·58	121,92	760,48	1,460,19
December ,, ..	1,465,63	8,76	1,474,39	117,76	447,30	565,06	37·93	123,93	785,35	1,474,39
Week Ending										
12-4-1957 ..	1,574,42	6,62	1,581,04	117,76	412,52	530,28	33·8	125,85	924,90	1,581,04
19-4-1957 ..	1,569,11	12,38	1,581,49	117,76	412,52	530,28	33·8	126,30	924,99	1,581,49
26-4-1957 ..	1,561,91	20,57	1,582,48	117,76	412,52	530,28	33.7	127,30	924,90	1,582,48
3-5-1957 ..	1,577,11	9,04	1,586,15	117,76	412,52	530,28	33·3	126,00	929,87	1,586,15
10-5-1957 ..	1,595,36	9,87	1,605,23	117,76	412,52	530,28	33.0	125,08	949,87	1,505,23

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS: Central Government	Other Governments	Banks	Others	Total	Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
1938-39* ..	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	8,14	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	33,69	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	13,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June ,, ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,58	3,95	73,97	37,76	18,89
July ,, ..	66 46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August ,, ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	19,84	8,52
September ,, ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October ,, ..	54,27	12,14	50,17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November ,, ..	54,25	21,62	52,73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December ,, ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6 44	93,47	60,90	19,09
Week Enbing														
12-4-1957 ..	53,60	1,54	69,83	74,35	199,32	149,22	358,54	6,71	18,41	104,20	18,74	104,40	92,91	13,18
19-4-1957 ..	51,41	5,56	71,89	74,54	203,40	149,05	362,45	12,53	10,01	99,83	15,17	98,80	112,90	13,20
26-4-1957 ..	52,83	6,38	67,60	75,13	201,95	151,82	363,77	20,73	12,48	92,39	16,27	96,24	112,42	13,24
3 5-1957 ..	51,81	4,26	64,06	76,02	196,16	156,41	362,56	9,16	7,81	83,90	15,72	105,31	127,14	13,51
10-5-1957 ..	54,92	2.11	59.66	84,71	201,40	152,47	363,87	9,98	7,30	74,07	19,23	113,71	125,90	13,67

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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: Demand	Time	Total (2+3)	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
(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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	62.22	370,71
Average of Fridays										
June 1956 ..	637,36	446,52	1,083,88	38,20	49,95	8.13	611,97	151,41†	70.43	348,81
July ,, ..	638,93	455,95	1,094,88	37,76	49,78	8.00	603,68	143,96†	68.29	349,44
August ,, ..	645,31	460,43	1,105,74	36,86	50,29	7.88	593,10	143,86†	66.65	361,50
September ,, ..	636,97	459,64	1,096,61	36,01	50,61	7.90	612,96	143,13†	68.95	372,06
October ,, ..	639,78	455,05	1,094,83	38,15	49,08	7.97	612,27	146,94†	69.35	373,01
November ,, ..	645,84	457,42	1,103,26	36,36	50,64	7.99	601,41	162,79†	70.24	365,95
December ,, ..	650,85	460,19	1,111,04	36,63	51,06	7.98	611,97	168,62†	71.07	365,11
Week Ending										
12-4-1957 ..	725,85	487,69	1,203,27	38,78	64,06	8.55	716,31	185,96†	74.98	346,01
19-4-1957 ..	732,07	495,66	1,215,76	38,28	69,84	8.89	720,30	181,02†	74.14	345,03
26-4-1957 ..	729,08	502,90	1,220,83	37,97	65,86	8.50	724,42	183,52†	74.37	344,51
3-5-1957 ..	721,79	505,03	1,212,82	38,96	64,65	8.54	739,00	184,61†	76.15	344,47
10-5-1957 ..	719,52	517,24	1,221,71	38,10	61,40	8.14	750,10	185,78†	76.60	344,06

* 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	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(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
1956-57 ..	2,301,84	1,550,47	..	..	..	..
March 1956 ..	2,184,32	1,505,09	679,23	667,22	12,01	+75,25
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 ,, ..	2,189,13	1,504,48	684,65	673,49	11,16	—36,84
July ,, ..	2,147,90	1,474,28	673,62	663,32	10,30	—41,23
August ,, ..	2,134,92	1,451,77	683,15	672,79	10,35	—12,98
September ,, ..	2,109,41	1,435,95	673,46	662,92	10,54	—25,51
October ,, ..	2,123,00	1,442,52	680,48	669,64	10,84	+13,59
November ,, ..	2,151,46	1,462,01	689,45	677,99	11,46	+28,46
December ,, ..	2,178,65	1,485.34	693,31	681,35	11,96	+27,19
January 1957 ..	2,220,06*	1,508,40*	711,66*	700,89*	10,77	+41,41*
February ,, ..	2,262,25*	1,527,01*	735,25*	723,45*	11,78	+42,19*
March ,, ..	2,301,84*	1,550,47*	751,37*	739,72*	11,65	+39,59*

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

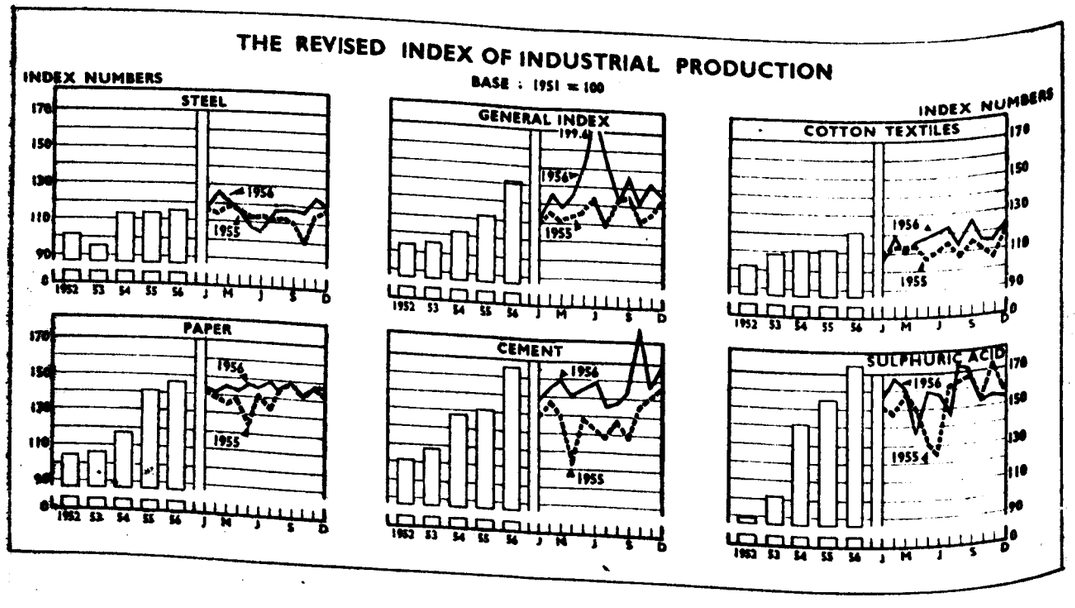
Source: Monthly Bulletin of Reserve Bank.

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal 2	Cotton Textils Total 3	Yarn 4	Cloth 5	Jute 6	Chemicals 7	Cement 8	Iron and Steel 9	Gen.* Engineering 10	Paper 11	Sugar 12	Tea 13	Electricity 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	102.0	127.0
1955 ..	122.1	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	105.2	131.2
1955 ..	132.8	114.9	117.5	122.0	115.2	127.3	170.1	154.2	118.0	217.9	140.6	174.9	105.5	164.1
July 1955 ..	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	156.6	137.6	112.0	179.3	146.2	412.4	104.6	141.9
September ..	134.2	119.7	115.4	121.5	112.3	123.7	165.3	129.3	110.1	181.0	149.7	349.3	106.4	148.9
October ..	121.9	105.9	112.8	118.8	109.7	107.8	160.6	144.2	100.3	160.7	142.1	210.7	103.4	144.6
November ..	126.1	109.8	107.9	114.9	104.4	128.2	170.9	151.2	113.3	182.8	147.7	213.2	117.0	150.3
December ..	132.7	116.2	120.7	126.0	118.0	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	116.7	179.3	142.9	133.2	115.2	152.8
February ..	134.2	123.5	118.9	123.3	116.7	135.2	173.0	155.7	125.0	204.0	141.7	127.2	122.8	161.2
March ..	128.6	115.7	111.0	115.2	108.9	135.6	163.9	159.1	121.5	206.5	144.9	151.3	97.0	160.9
April ..	134.7	114.6	115.2	118.6	113.5	132.3	165.2	150.8	116.6	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	108.7	212.7	147.4	601.3	111.4	166.1
June ..	199.6	113.6	121.7	123.7	120.7	139.7	174.0	158.4	105.1	220.1	145.5	1,664.4	115.8	165.5
July ..	152.6	108.9	122.3	126.2	120.3	129.4	166.4	146.1	116.4	219.9	149.9	590.2	123.8	160.5
August ..	133.1	113.8	114.9	120.7	112.0	123.7	171.4	146.8	122.6	227.6	145.5	194.8	115.0	159.6
September ..	146.4	111.1	125.8	130.5	123.4	120.9	178.7	152.8	120.6	226.2	149.1	353.4	112.2	163.9
October ..	131·8	109.3	116.2	122.4	113.2	111.8	170.5	158.1	117.4	219.3	143.4	231.7	104.8	165.8
November ..	142.2	118.2	115.1	122.5	111.5	120.4	175.9	157.3	124.6	240.4	148.0	369.9	95.4	168.4
December ..	136.4	126.6	122.4	130.7	118.2	118.7	177.6	169.6	120.9	238.6	157.3	191.6	65.3	177.2
January 1957 ..	138.9	124.4	122.4	130.8	118.2	123.8	178.8	169.0	129.3	241.2	156.0	135.6	129.9	174.1
February ..		133.6	..	..	117.5	123.5	..	..	..	..	157.7	128.0	135.6	..

* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.



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	85
1951	89	89	97	97	104	100
1952	94	97	99	100	101	102
1953	100	100	100	100	100	100
1954	106	102	100	99	100	100
1955	105	106	100	98	100	104
1956	106	112	102	102	104	108
1955 November	104	110	101	97	101	105
December	103	110	100	98	101	106
1956 January	104	109	100	98	102	106
February	105	109	100	99	102	107
March	106	111	100	99	102	108
April	106	112	100	100	103	108
May	106	112	101	101	104	108
June	106	112	102	101	104	108
July	105	112	102	101	104	108
August	106	112	102	102	104	108
September	106	112	102	104	105	109
October .. .	107	112	103	104	105	109
November .. .	106	113	103	105	105	109
December	107	113	103	106	106	110
1957 January	108	114	103	106	106	110
February	109	114	104	106	106	110

† Manufactured goods only.

Source: U.N. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate		Area Acres ('000)	Area Increase +or decrease —over the corresponding estimate of the previous year (per cent)	Yield Tons ('000)	Yield Increase +or decrease —over the corresponding estimate of the previous year (per cent)
Food grains:						
Rice	Second	1956-57	72,512	+0.9	23,900	+1.6
Wheat & Barley	First	1956-57	38,772	+7.7	..	..
Jowar	First	1956-57	24,643	—4.8	..	..
Bajra	First	1956-57	23,620	—5.5	..	..
Maize	First	1956-57	8,223	+0.6	..	..
Ragi	First	1956-57	4,872	—1.0	..	..
Gram	First	1956-57	22,937	+3.0	..	..
Tur	Second	1956-57	5,581	—2.5	1,603	—6.0
Oilseeds						
i. Edible—						
Sesamum	Third	1956 57	4,996	—7.9	417	—3.9
Groundnut	Final	1956-57	13,101	+3.2	4,486	+5.8
Rape & Mustard	First	1956-57	2,632	+2.7	..	..
ii. Non-edible						
Linseed	First	1956-57	2,728	+10.8	..	..
Castorseed	Final	1955-56	1,462	+4.9	126	+1.6
Fibres:						
Cotton	Third	1956-57	18,084	+3.0	4,084	+20.8
Jute	Final	1956-57	1,883	+8.3	4,221*	+0.6
Mesta	Second	1956-57	695	+25.7	1,430*	+29.9
Other Crops:						
Tobacco	Final	1955-56	921	+8.9	259	+6.1
Potato	Final	1955-56	693	+5.3	1,839	+5 9
Sugar cane	Second	1955-56	4,532	+14.9	58,918	+16.8

* Bales

Source: Ministry of Food and Agriculture.

STATEMENT SHOWING IN SELECTED CASES TAX PAYABLE AND AS A PERCENTAGE OF INCOME OR INCOMES RANGING FROM RS. 3,000 TO RS. 30,00,000

Tax at 1956-57 rates on Total Income

Income	MARRIED PERSONS				UNMARRIED PERSONS			
	Wholly earned	Percentage	Wholly un-earned	Percentage	Wholly earned	Percentage	Wholly un-earned	Percentage
3,000	..	..	..	..	..	..	..	..
3,200	..	..	..	..	..	..	..	..
3,600	..	..	..	..	..	..	..	..
4,200	..	..	..	..	..	..	..	..
4,800	..	..	86	1.8	131	2.7	133	2.8	178	3.7
5,000	..	..	94	1.9	141	2.8	141	2.8	187	3.7
6,000	..	..	131	2.2	250	4.1	178	3.0	297	4.9
7,200	..	..	224	3.1	381	5.3	271	3.7	428	5.9
8,400	..	..	345	4.1	568	6.8	395	4.7	616	7.3
9,600	..	..	461	4.8	744	7.7	511	5.3	794	8.3
10,000	..	..	508	5.1	804	8.0	557	5.6	853	8.5
12,000	..	..	744	6.2	1,230	10.2	794	6.6	1,280	10.7
13,200	..	..	923	7.0	1,487	11.3	972	7.4	1,535	11.6
14,400	..	..	1,128	7.8	1,742	12.1	1,177	8.2	1,791	12.4
15,000	..	..	1,230	8.2	1,870	12.5	1,280	8.5	1,919	12.8
16,800	..	..	1,537	9.1	2,342	13.9	1,586	9.4	2,392	14.2
18,000	..	..	1,742	9.7	2,657	14.8	1,791	9.9	2,707	15.0
20,000	..	..	2,132	10.7	3,182	15.9	2,182	10.9	3,232	16.1
24,000	..	..	3,444	14.4	4,494	18.7	3,494	14.6	4,544	18.9
25,000	..	..	3,772	15.1	4,822	19.3	3,821	15.3	4,872	19.5
30,000	..	..	6,332	21.1	7,119	23.7	6,381	21.3	7,169	23.9
36,000	..	..	9,404	26.1	9,876	27.4	9,453	26.3	9,926	27.6
40,000	..	..	11,451	28.6	11,713	29.3	11,500	28.7	11,763	29.8
42,000	..	..	12,737	30.3	12,894	30.7	12,786	30.4	12,944	30.8
45,000	..	..	..	14,667	32.6		14,716	32.7		
48,000	..	..	..	16,438	34.2		16,488	34.3		
55,000	..	..	..	20,901	38.0		20,950	38.1		
60,000	..	..	..	24,182	40.3		24,232	40.4		
66,000	..	..	..	28,513	43.2		28,563	43.3		
70,000	..	..	..	31,401	44.8		31,451	44.9		
72,000	..	..	..	32,910	45.7		32,960	45.8		
84,000	..	..	..	42,098	50.1		42,148	50.2		
85,000	..	..	..	42,885	50.4		42,935	50.4		
90,000	..	..	..	46,823	52.0		46,873	52.0		
96,000	..	..	..	51,745	53.8		51,795	53.8		
1,00,000	..	..	..	55,026	55.0		55,076	55.0		
1,50,000	..	..	..	98,667	65.8		98,717	65.5		
2,00,000	..	..	..	1,44,604	72.3		1,44,654	72.3		
2,50,000	..	..	..	1,90,541	76.2		1,90,589	76.2		
3,00,000	..	..	..	2,36,478	78.8		2,36,528	78.8		
3,50,000	..	..	..	2,82,415	80.7		2,82,466	80.7		
4,00,000	..	..	..	3,28,353	82.1		3,28,403	82.1		
5,00,000	..	..	..	4,20,228	84.0		4,20,278	84.0		
10,00,000	..	..	..	8,79,603	88.0		8,79,653	88.0		
20,00,000	..	..	..	17,98,353	89.9		17,98,403	89.9		
30,00,000	..	..	..	27,17,103	90.6		27,17,153	90.6		

Note: For Hindu undivided families, the amount of tax and percentages are also as shown for 'married persons' above except that such families are not liable to pay tax if the income is not more than Rs. 6,000 if there are at least two members entitled to claim partition.

STATEMENT SHOWING IN SELECTED CASES TAX PAYABLE AND AS A PERCENTAGE OF INCOME OR INCOMES RANGING FROM RS. 3,000 TO RS. 30,00,000

Tax at Proposed Rates on Total Income (1957-58)

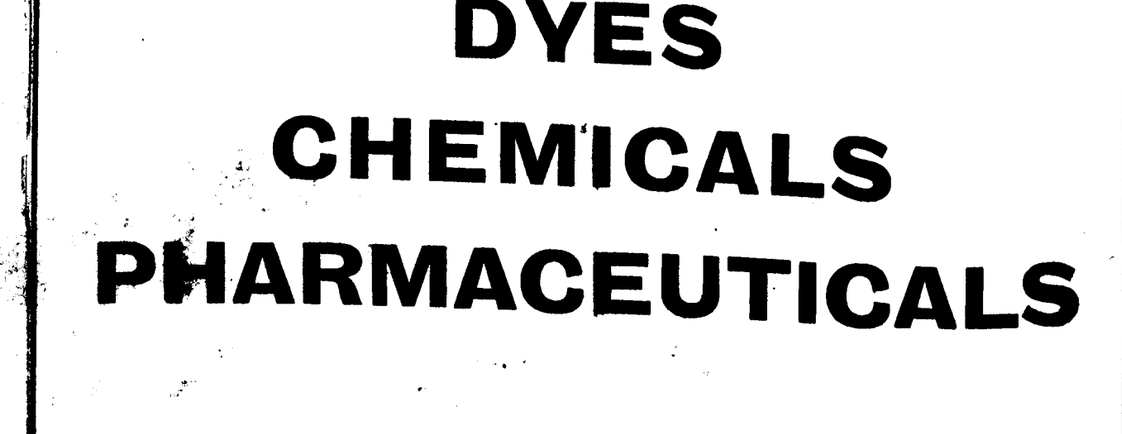
Income	MARRIED PERSONS			UNMARRIED PERSONS		
	Wholly earned	Percentage	Wholly un-earned	Wholly earned	Percentage	Wholly un-earned	Percentage
3,000	..	..	..	..	..	..	..
3,200	6	0.2	6	0.2	66	2.0	66	2.0
3,600	18	0.5	18	0.5	78	2.2	78	2.2
4,200	36	0.9	36	0.9	96	2.3	96	2.3
4,800	54	1.1	54	1.1	114	2.4	114	2.4
5,000	60	1.2	60	1.2	120	2.4	120	2.4
6,000	120	2.0	120	2.0	180	3.0	180	3.0
7,200	192	2.7	192	2.7	252	3.6	252	3.6
8,400	305	3.6	349	4.1	368	4.4	421	5.0
9,600	419	4.4	479	5.0	482	5.0	551	5.7
10,000	457	4.6	522	5.2	520	5.2	594	5.9
12,000	688	5.7	786	6.5	751	6.3	858	7.1
13,200	848	6.5	970	7.4	911	7.0	1,042	7.9
14,400	1,025	7.1	1,171	8.1	1,088	7.6	1,243	8.6
15,000	1,113	7.4	1,272	8.5	1,176	7.8	1,344	8.9
16,800	1,453	8.6	1,661	9.9	1,516	9.0	1,733	10.3
18,000	1,680	9.3	1,920	10.7	1,743	9.7	1,992	11.7
20,000	2,058	10.3	2,352	11.8	2,121	10.6	2,424	12.1
24,000	3,318	13.8	3,792	15.8	3,381	14.1	3,864	16.1
25,000	3,633	14.5	4,152	16.6	3,696	14.8	4,224	16.9
30,000	5,733	19.1	6,552	21.8	5,796	19.3	6,624	22.0
36,000	8,253	22.9	9,432	26.2	8,316	23.1	9,504	26.4
40,000	10,458	26.1	11,952	29.9	10,521	26.3	12,024	30.1
42,000	11,613	27.6	13,272	31.6	11,676	27.8	13,344	31.8
45,000	13,345	29.7	15,252	33.9	13,408	29.8	15,324	34.0
48,000	15,078	31.4	17,232	35.9	15,141	31.5	17,304	36.0
55,000	19,383	35.2	22,152	40.3	19,446	35.3	22,224	40.4
60,000	22,553	37.6	25,752	42.9	22,616	37.7	25,824	43.0
66,000	26,628	40.3	30,432	46.1	26,691	40.4	30,504	46.2
70,000	29,358	41.9	33,552	47.9	29,421	42.0	33,624	48.0
72,000	30,828	42.8	35,232	48.9	30,891	42.9	35,304	49.0
84,000	39,648	47.2	45,312	53.9	39,711	47.3	45,384	54.0
85,000	40,383	47.5	46,152	54.3	40,446	47.5	46,224	54.3
90,000	44,058	48.9	50,352	55.9	44,121	49.0	50,424	56.0
96,000	48,468	50.5	55,392	57.7	48,531	50.5	55,464	57.7
1,00,000	51,409	51.4	58,752	58.7	51,471	51.5	58,814	58.8
1,50,000	89,908	60.0	1,00,752	67.2	89,971	60.0	1,00,824	67.2
2,00,000	1,28,408	64.2	1,42,752	71.3	1,28,471	64.2	1,42,824	71.4
2,50,000	1,66,908	66.8	1,84,752	73.9	1,66,971	66.8	1,84,824	73.9
3,00,000	2,05,408	68.5	2,26,752	75.6	2,05,471	68.5	2,26,824	75.6
3,50,000	2,43,908	69.7	2,68,752	76.8	2,43,971	69.7	2,68,824	76.8
4,00,000	2,82,408	70.6	3,10,752	77.7	2,82,471	70.6	3,10,824	77.7
5,00,000	3,59,408	71.9	3,94,752	78.9	3,59,471	71.9	3,94,824	78.9
10,00,000	7,44,408	74.4	8,14,752	81.5	7,44,471	74.4	8,14,824	81.5
20,00,000	15,14,408	75.7	16,54,752	82.7	15,14,471	75.7	16,54,824	82.7
30,00,000	22,84,408	76.1	24,94,752	83.2	22,84,471	76.1	24,94,824	83.2

Note: For Hindu undivided families, the amount of tax and percentages are also as shown for 'married persons' above except that such families are not liable to pay tax if the income is not more than Rs. 6,000 if there are at least two members entitled to claim partition.

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DYES
CHEMICALS
PHARMACEUTICALS



Owing to the severity of the influenza epidemic in Delhi which has heavily depleted staff in "The Eastern Economist," this issue has had to be reduced in size. "The Eastern Economist" tenders an apology to its readers.

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The Eastern Economist

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The Force of Example

TODAY, Friday, June 14, the Prime Minister took off on a tour of many European countries which will keep him away from India for a month. There has been criticism that this is the wrong time for him to be away. In a sense he remains, particularly in times of crisis, the central figure without whom final decisions cannot be taken. But it is good, both for him and for India that (after the decisions announced this week on a salary freeze and a new plan of austerity in the Central Administration) he should be able to think calmly and without distraction of our problems pressing at this time. It is good for us, too, not to depend solely on one man, however eminent and however central to our life and affections he may be. It is necessary for India to know that it can function without the Prime Minister for a month; we should prepare ourselves to do without a particular person for an indefinite period. Thus alone can the strength of democracy be demonstrated; for democracy is essentially an impersonal creed. It rests upon not men but on events, and upon their wise understanding by a sovereign people that never dies. Thus only can we gather immortality to ourselves, for there is no person who has been vouchsafed eternal life. It is a necessary step for an intensely personal administration to put on the garments of impersonal democracy.

It is good, however, that the Prime Minister should have chosen in this decisive week of June to alter the outlook under which the Central Government shall function both in his absence and in the remaining period of the Plan. To those who do not appreciate the symbolic character of

living, a cut in the salaries of the Central Ministers which will give an annual saving of only Rs. 1 lakh may look a little comic. But one must look behind the figure to the solid gain beneath. The Prime Minister's mind has been forced partly by the critical debate in Parliament and by events in the A.I.C.C. to bring a new sense of proportion into all the Central Government's expenditure. But the popular mind wanted dramatic proof. It is a great tribute to the Prime Minister that he has shown so swift a recognition of popular feeling, and even of popular indignation, as to have even rebuked himself for the size of the house in which he was living. In this sense he has shown an example which will deeply stir the conscience of the country. He has awakened the devotion of Congressmen and, as he has often done in crises before, the affection of many of his political opponents. There is also the ring of greatness in his admission that his speeches a month ago were in error.

It is right that tributes should be paid, too, to the Ministers of the Central Government and particularly the Finance Minister, whose work has been vital in this matter, in bringing about this uncomfortable admission that the critics who were repulsed last month on the floor of the House were after all substantially right. Thus the stone which the builders rejected has again become the key-stone of the arch. To suggest, however, that the cuts in the Plan and the great gestures which have been made by the Ministers in the Central Administration are complete solutions to the problem would be to misjudge the demands of the economy in the short period. Apart from the foreign exchange crisis—of which we have been reminded again this week by the utilisation of a further I.M.F. stand-by credit of 72.5 million dollars — there is the current inflationary situation. A terse official pronouncement issued on Wednesday said the official Wholesale Price Index (with the year ended August 1939 as 100) advanced by 0.5 per cent to 449.0 and was higher by 4.1 and 12.4 per cent respectively when compared with the corresponding week of the last month and that of a year ago. But it did not say the index had risen 15 points in two weeks. It must be recognised that if prices cannot be halted, the cut in salaries proposed will be physically impossible to work, nor will it be possible to avert or reject a series of demands for dearness allowance whether by salaried workers or by organised labour. Thus the situation is fraught with considerable danger. If cuts are being imposed, those affected can certainly reasonably ask for a stabilisation of prices. The natural corollary to a policy of cuts in salaries is a freezing of the price level. Unhappily, on this point the Central Government is markedly silent. No one will take seriously its appeal for a cut in salaries, until it gives an assurance that its policy will stop inflation.

For many months *The Eastern Economist* has argued that the freezing of the price level is impossible unless the Government institutes a deflationary policy on foodgrains. At long last, the Government of India has opened new negotiations with the United States for another P.L. 480 Commodity Loan. The delay in opening these negotiations was a serious error for which the Indian Cabinet must take its responsibility; but, now that the error has been remedied, everything depends on hastening imports and on the sale of these imports at a price which will guarantee a stable price level. This cannot be done without an element of rapidly rising food subsidy; but as has been argued previously, deficit financing in the Central Budget for the limited purpose of showing in the accounts a loss on foodgrain sales will reduce the level of foodgrain prices in the country and the cost of living, and thus be deflationary. What is required at the present time is that foodgrain prices should be pegged at a level 10 per cent below their present value, which, we need to remind ourselves, has touched a peak of 566 for Cereals in the General Index. If a further rise in the price level should occur in the next three months (and with the new import restrictions and the absence of adequate foodgrain stocks, further rise seems certain), the level at which foodgrains will need to be sold when they arrive may need to be lower. One might argue that the level should be fixed in such a manner that the Wholesale Index is pegged at a level of 430.

Thus the decks can be cleared for action. The lines of economic policy should be reasonably clear in the next twelve months. There will certainly be the most drastic curtailment of all imports. Delegations (of which some hundreds have gone abroad in the last five years) are now being screened by a business-like group in the Ministry of Finance which is likely to separate the abundant chaff from the all-too-inadequate grain. First things are at last coming first. We should now be able, having cleared our minds of ostentation and grandeur, to see more clearly the things that are of intrinsic worth. Perhaps we will begin to see with a blinding light that our salvation lies in production, and in production only. All the rest is good only to the point of holding a line. But holding a line in India will never do; let us stabilise prices as a first defence. But we need rapidly to proceed from defence to attack. How else can poverty be beaten back from its deadly hold on the life and thought of the weakest, and some of the best, human material that it is our privilege to have and to hold?

The Kerala Budget

THE first Budget, for 1957-58, of the Communist Government of Kerala has naturally attracted countrywide attention. More than ordinary significance attaches to it not so much for the Communists' capacity for bold experiments as for its revenue surplus at a time when other State Governments are budgeting, in some cases recklessly, for deficits. The new taxation measures have the only merit that they convert what would have been a revenue deficit of Rs. 2.25 crores in the Rs. 30-crore Budget into a surplus of Rs. 7 lakhs. Otherwise these proposals which are, for the most part, in the nature of robbing Peter to pay Paul ignore the basic need for increasing production all round and for attracting capital to a State like Kerala which is markedly underdeveloped in relation to the neighbouring States of Madras and Mysore.

The proposed levy of a tax on agricultural wealth can be considered proper and inevitable only if the tax proposed by the Centre in respect of non-agricultural wealth were to stay. The proposed additional super-tax (besides the existing super-tax of four annas) ranging from one anna to four annas on the agricultural incomes of plantation companies between Rs. 25,000 and Rs. 10 lakhs would eat further (to the tune of about Rs. 65 lakhs per year) into the profits of companies which already have to pay a whole series of taxes from the basic land tax and sales tax to the Central income-tax. It is no wonder, therefore, that plantation scrips have heavily slumped in the southern stock markets. One wonders if the Communists who were unable to secure Central approval for nationalising the foreign-owned estates have come to think in terms of forcing them out indirectly by further heavy taxation. As the investment climate for foreign capital and that for indigenous capital are not two different things, the Communists will not succeed in attracting Indian capital while driving out British capital. The apparent bias in favour of Indian capital is not convincing; indeed, it cannot last.

A surcharge of 5 per cent on agricultural income-tax and super-tax, a surcharge of 2.5 per cent on the sales tax paid by traders with a turnover of Rs. 30,000 or over, and a surcharge on the profession tax of those with an income of Rs. 250 or over per month are all expected to yield Rs. 13 lakhs which, according to the State's Finance Minister, is intended to meet the increase in expenditure on education. These surcharges are not inconsequential for, whatever be the purpose for which they are intended, they add to the existing tax burden on persons and companies. In any case, surcharges on existing taxes are meant to be used sparingly and removed in due course. Their continuance as permanent additions to taxes has unfortunately come to prevail in many of the States. As social services have always constituted a charge on the tax revenue as a whole, surcharges for additional expenditure on education and the like are hard to justify.

As there is so much valid objection to these taxation measures, the proposals in respect of additional expenditure cannot extenuate them for economies in other lines could well have been explored with some success. The reasonableness of these proposals may not, however, be seriously questioned. One of these proposals is to revise upward the salaries of all primary school teachers on the scale of Rs. 40 to Rs. 120. Another proposal is to grant fee concessions in high school classes (education in the State is already free up to the upper primary stage) to all poor students whose parents' annual income is below Rs. 1,200. Yet another proposal is to grant interim concessions to sections of low-ranking Government servants, besides raising the allowances of police constables, while there is now to be an upper limit of Rs. 1,000 in the salaries of officers in State Service. These proposals are typical though they may look rather trivial. Actually they are anything but trivial in the context of the Congress Governments' grudging performance or lack of performance in the spheres concerned. They may have to follow suit sooner or later, and in this sense the Kerala Government will have given a healthy lead to the other State Governments particularly in the South although the latter will have been discredited to some extent.

These, however, are not the only things which invest the Kerala Budget with more than ordinary significance. The Government's decision to set up a State Trading Corporation for dealing in agricultural products exported from the State is particularly noteworthy in this connection. What this will mean (by way of trading profits to the Government) may be inferred from the fact that the value of commercial crops (in some of which Kerala has a near-monopoly) raised annually is of the order of Rs. 125 crores. This step, however, may not be a substitute for the claim advanced by the State Government for a share in the export duties collected by the Centre on the products concerned. Surely their aim must be to profit from the export-products both ways, but it is open to doubt whether reasonable prices can be ensured for the agriculturists without putting up the export-prices of some products.

The State Finance Minister's reiteration of the Government's determination (which is unlike the 'firm' promises repeatedly made in the last few years by the Governments of Madras and Andhra) to take speedy steps for comprehensive land reforms, is even more significant in the context of Prime Minister Nehru's bitter criticism of the snail's pace in this regard in several States. Here, as elsewhere, the Kerala Communists mean business althought their task is by no means easy in view of the complex character of land tenures in their State. If even the extremely complex land tenures in the State come to be reformed, it will only bring out all the more glaringly the bankruptcy of the Congress in other States where the land tenures are less complex but where the bigger landowners in particular have greater influence with the ruling party and the administration alike. As ill-conceived land reforms, however, can easily disintegrate the existing agrarian order and set in train forces of disruption, it remains to be seen whether the Kerala Communists will be informed by constructive wisdom or impelled by 'class war' considerations in this crucial sphere. Although the proportion of landless agriculturists in Kerala as in Madras and Andhra—being 75 for every 100 landowing agriculturists—is the highest in all India, the land problem can be solved smoothly, if at all, only on the basis of a programme of maximum justice to tillers with minimum injustice to owners. This will necessarily mean moderation, compromise and adjustment which cannot be easily derided for there is no particular virtue in disruptive radicalism, although it may be perfectly constitutional and in strict accord with the Planning Commission's proposals which are formidable on paper but most difficult to implement.

Another noteworthy decision of the Kerala Government is to give greater encouragement to private enterprise for nurturing medium industries in the best traditions of the former T. C. State. It is just possible that the State Government's proposed industrial policy statement may contain some guarantees to allay the fears of entrepreneurs on the score of possible nationalisation. The professions, present and prospective, of the Communists in respect of private enterprise are laudable. But business men are practical men who will be influenced in their decisions more by the tax, wage and labour policies of the Communist Government than by any prospect of nationalisation. For, it is these policies that are relevant to the day-to-day running of industrial units. The studied omission of any talk of nationalisation from the Finance Minister's speech may be intended as a bait for private capital. This can by no means be attractive to entrepreneurs who, in any case, know that compensation in the event of nationalisation is ordained by the Constitution within whose limits the Communists will have to work. The Communists would need to establish their *bona fides* beyond the shadow of a doubt and give convincing proof of their realisation that production, rather than the pursuit of egalitarian visions, is the paramount need of the hour. They have made a pretty initial showing; but the gilt will wear off the gingerbread and we are in the oven baking new.

"Metamorphosis" of Marxism

SINCE Stalin's death in March 1953, Marxism has, it is claimed, been undergoing a "metamorphosis". The widespread impression, forstered sedulously by the Communists themselves, is that this represents an evolution of Marxist thinking. Actually, however, the position is quite the contrary. The "heart-searchings" and re-evaluation current in the Communist world are in point of fact the concomitants of compulsions it has come up against. Stalin's heirs have, for instance, neither his ability nor his prestige to combat internal pressures for better conditions of living and less State control. They cannot also play upon the fears of the Russian masses with the cry of the danger of "capitalist encirclement of the Socialist fatherland" now that, according to their own statements, a socialist world has emerged which can successfully compete with and challenge the capitalist world in almost all spheres of life. They can also no longer find scapegoats like the Kulaks and capitalists to explain away their failings in economic and political fields and for the continued servitude and destitution of the masses. Moreover, the generation which had experienced Czarist tyranny and feudal exploitation has passed away, giving place to a new one whose hatred of these is limited and less fierce because its knowledge of these is distant or bookish. The atomic stalemate has at the same time provided the born slaves an opportunity to demand more freedom of thought and action.

These internal pressures led to the revolt of the courtiers against their late mentor and master, Stalin. The Twentieth Congress of the Communist Party of the Soviet Union postulated the theses of de-Stalinization, collective leadership and different roads to socialism. But the ruling party in Russia, while denigrating Stalin, propounded the theory of the growth of the cult of the individual to explain Stalin's crimes. The explanation was as un-Marxist, if not more, as the development of the Stalinist cult of the individual was a violation of Marxism. For, if an individual is, as Marx asserts, the creature and not the creator of circumstances, Stalin was the creation of Marxian Communism; he and his cult of the individual followed from it.

And, now, Mao Tse-tung has come out with another heresy. Addressing a secret meeting of the Central Committee of the Chinese Communist Party, he observed that "in the course of the development of a socialist society, incompatibilities and contradictions can still arise between the masses of the people and their leaders". This conflict, he added, cannot be resolved by methods of power, but by democratic means — that is by free discussion and persuasion. He even asserted that if democratic means had been employed by Russia, there would not have been any violent outbreak of last autumn in Hungary. Giving the slogan: "Let all flowers bloom together; Let diverse schools of thought contend", Mao Tse-tung in point of fact goes so far as to say that strikes, being a form of protest against bureaucracy, should not be suppressed and its leaders should not be penalised. Indeed capitalists and intellectuals should, he suggests, be "re-educated and their bourgeois mentality combated by mild, persuasive methods". "Criticism should not be imposed," remarks Mao, "upon a person who does not accept it .... those found to have committed mistakes, big or small, except for serious offences against the law or discipline, are all to be exempted from disciplinary measures."

To "popularise" this new policy of *Cheng feng* ("correct the winds"), the press and radio in Communist China have launched a campaign against the "roughshod interventions", "indulgence in the bad habits of the old society" and "the pushing beyond reason of their (party members and bureaucrats) claiming privileges and high pay". Mr. Peng, who runs the party machine, has even warned the party officials "to stop treating ordinary people as the enemy, or the people will turn into the Party's enemy".

Apparently Mao's "startling" theory recognises that conflicts can and do arise between the people and leaders of a socialist State. This is indeed a radical departure from the orthodox Communist theory. Had not Karl Marx fondly hoped and confidently asserted that class struggle would disappear in a socialist society? Had not Lenin maintained that the Communist Party, being supreme, should lead and not follow the masses? Mao's thesis not only runs counter to these assertions; it also destroys the basis on which a Communist totalitarian State is founded. A totalitarian State after all rests upon the pretension that the ruling party alone possesses the truth about the ultimate destiny of mankind and that it alone knows what is good for the community.

Mao's present thesis, however, loses much of its importance when we recall his servile approval of the Russian armed intervention in Hungary. Nor has Mao discarded the other hoary Communist slogan, "Unity — Discussion — Unity". Even in the "revolutionary" speech Mao has more than once reiterated this slogan; he has redoubled the emphasis on "Unity". There is, therefore, every reason to believe that the Chinese Reds would tolerate criticism only to the extent that did not impair the Communist State. An open revolt against — even a turning away from — Communism would involve something more than gentle persuasion. Hungary remains a stern example.

Two reasons suggest themselves for the apparent "metamorphosis" of Marxism at Mao's hands. Appeasement of the masses has become urgent and necessary due to the failure of the Communist Government, in spite of its claims about overfulfilment of the Plan targets, to ease the economic situation in the country. The Government has, on the other hand, asked the people once again to tighten their belts. But the Chinese Communists know too well that they are skating on thin ice. Their methods of raising the "people's enthusiasm" through threats of "imprisonment and extermination" and through "schooling" at the "corrective labour camps" have produced opposite results. Absenteeism, go-slow and partial strikes have become more frequent. It is in deference to the new situation that Mao has suggested resort to peaceful methods of persuasion and has contended that the time has come to "dismount the horse"— in other words, to slacken the pace of economic development in view of various shortages and difficulties. His present thesis, if put into practice, may provide a safety-valve for the grievances and the discontent born out of an over-ambitious plan of industrialisation and collectivisation. It might also help in bringing into the open all those who are not well disposed towards the regime, thus providing useful dossiers when there is a return to terror and persecution. Such a return is inevitable because the gardener will have to remove the weeds even if he allows for the time being "all flowers to bloom together".

THE WEEK'S NOTES

HAPPY KALDOR?

DR. NICHOLAS KALDOR, the Originator of the concept of a tax on expenditure, is reported to be happy — perhaps happier than the Indian Finance Minister who has chosen to experiment with it. He has every reason to be happy over the fact that the Government of India have already accepted three major tax proposals made in his Report on Indian Tax Reform. Of these, the tax on capital gains has already come into force and the taxes on expenditure and wealth are awaiting approval by Parliament. While Dr. Kaldor may justly feel a sense of personal pride that his novel tax concepts — still under debate in the United Kingdom where he is like a prophet who is not honoured in his own land — have found favour with the Government of India, his pride and happiness are probably not unmingled with regret and sorrow on at least two counts. One of these is that the Indian Finance Minister has not adopted the Kaldor scheme of tax reform in its entirety but has chosen to implement some proposals to the exclusion of others. And the other is that he has varied such proposals as he has adopted. Dr. Kaldor has not, of course, expressed his regret or sorrow openly on these two counts but has only stated that he is in no position to evaluate the factors that have weighed with the Finance Minister.

Even if Dr. Kaldor has no regret over it all, he should be knowing, more than anybody else, that his scheme of tax reform was designed as an organic whole of which his crucial proposal to bring down the maximum rate of income-taxation to 45 per cent was an inseparable part. His scheme was such that it should have been accepted or rejected in toto. The entire scheme was based on a certain estimate of the magnitude of tax evasion in the country. When the Central Board of Revenue disproved Dr. Kaldor's estimate of tax evasion, it had virtually knocked the bottom out of his scheme of tax reform. If the Finance Ministry has chosen to maintain the maximum rate of income and super taxes at a high level even after introducing three major Kaldor devices, it must be because that it believes in the Board of Revenue's view that there is not as much tax evasion as he has estimated. It is clear that the Finance Ministry thinks that the Kaldor taxes are a boon promising additional tax revenue besides the revenue from income-taxation at more or less the usual level. If the Government of India should, by any chance, decide to implement the remaining Kaldor devices but not to reduce the maximum rate of income-taxation to 45 per cent, their additional tax revenue might exceed the figure estimated by him. In which case the judgment on the distinguished Cambridge economist may well be that he has played into the hands of the tax-hungry Finance Ministry. And then his sorrow may be all the greater.

STATE INCOME OF WEST BENGAL

THE STATISTICAL BUREAU of the Government of West Bengal released last week provisional estimates of income for the State of West Bengal. The estimates cover a period of four years, starting with 1948-49 and ending with 1951-52. West Bengal is not the first State to make these regional estimates of income. The States of U.P., Madras and Bombay have already published similar estimates, though every one of them, like the West Bengal Statistical Bureau, has not followed the method adopted in the final report of the National Income Committee Report. Efforts of computing income at the State level need to be encouraged as they may constitute a reasonably good check on the estimates of the National Income Unit. Is it not an axiom in arithmetic that the sum of the parts equals the whole?

The total income of the State has been estimated at Rs. 759.77 crores in 1951-52. This works out to be 8 per cent of the total national income of the Indian Union. The primary sector (i.e., agriculture, animal husbandry, forestry, etc.) generates 38.42 per cent of the total State income as against the secondary sector (i.e., mining industry, construction) which is responsible for 20.53 per cent only. The balance, i.e., 41.05 comes from the tertiary sector. No attempt has been made by the Statistical Bureau to indicate, on the lines of the National Income Report, the margin of error to which each one of these sectors is susceptible. Independent estimates made by the Indian Institute of Public Opinion for 1950-51, however, put the figure at Rs. 927 crores—nearly 22 per cent above the Bureau's estimate for 1951-52. It is perhaps premature to say which of these estimates gives the true picture of the State of West Bengal. Let us hope that the results of the various surveys which the Bureau is still analysing will throw more light on the subject.

The rate of growth in income at current prices in West Bengal during the period under review was slower than that of the Indian Union. The income of the State of West Bengal rose by nearly 12.7 per cent as against a rise of 15.3 per cent in the case of the Indian Union. What complicated the situation further in West Bengal was the influx of refugees from East Pakistan which increased the population from 231.07 lakhs in 1948-49 to 249.86 lakhs in 1951-52—a rise of more than eight per cent in three years. This unexpected rise in population was instrumental in reducing the per capita income. The net increase in income per head was, therefore, of the order of 4.2 per cent in three years. On the other hand, the per capita growth in income in India at current prices was, in 1951-52, 11.0 per cent above 1948-49.

In absolute terms, the per capita income of West Bengal in 1951-52 is estimated at Rs. 303.9 which stands 11 per cent above the corresponding estimate for the Indian Union. This naturally leads to the conclusion that the average Bengali is significantly better off than the average Indian. That, however, is an erroneous impression as, according to the State Bureau, a large portion of the fruits of the labour of those engaged in big industries, big trade, mining etc., is not disbursed within the state. What does get distributed completely within the State is the income generated in the agricultural sector. The underlying cause for a poor show in the agricultural sector is that whereas nearly 57 per cent of the total population draw their sustenance from it, the net contribution to income stands at 38.42 per cent only. The key to the prosperity of the state, especially the indigenous population, lies to a great extent on the level of output of agriculture and agricultural prices.

REVISION OF THE UN CHARTER

THE UNITED NATIONS GENERAL ASSEMBLY by 67 votes to none (with the Soviet bloc countries absenting) has decided to postpone till 1959 a review of the United Nations Charter. By that time, it is hoped, circumstances would be more propitious. The decision is welcome. As Mr. Krishna Menon pointed out, the world situation imposed on members the responsibility "not to rock the boat any more we need to". Besides, the revision of the Charter is futile unless there is the will to uphold its provisions, existing or amended.

There are two reasons for the demand for the revision of the Charter. First, the existence of veto power for the Big Five, which, in the opinion of some members, violates the principle of equality between nations; and, secondly, the lack of effective punitive power of the United Nations to punish violators of international law. Equality of nations is, doubtless, a laudable objective. But can it be denied that

nations are unequal in 'real politik'? The provision of veto in the Charter is merely a formal acknowledgment of the realities of the power situation as it stood immediately after the second world war. The United Nations may be given certain powers in respect of enforcement of peace, but neither the Security Council nor the General Assembly can be made effective against an aggressor unless the United States and the Soviet Union act in unison. One reason why the efforts of the United Nations were successful in stopping the Anglo-French aggression in Egypt and not the Soviet armed intervention in Hungary is that in the latter case America and Russia were ranged against each other. Moreover, to consider a practical point, it is doubtful if any of the Big Powers would be willing to give up the veto; without their unanimous approval the Charter cannot be amended. The question of Communist China's claim to replace Nationalist China in the Security Council also looms large; without settlement of this point, it will be idle to expect Russia to endorse any revision of the Charter.

One cannot, however, ignore the fact that the "uniting for peace procedure" adopted in 1950 at Mr. Dean Acheson's suggestion, whereby the General Assembly could be seized of matters at issue before the United Nations, has blunted to a great extent the edge of the power to veto. Also, the fact that none of the two power blocs has a ready-made majority in the United Nations has worked in the same direction. Apart from the Soviet satellites, there are no rigid divisions in the United Nations now, and a majority decision has assumed some meaning. An overriding difficulty is, however, that, under the Charter, the decisions of the General Assembly, unlike those of the Security Council, have no legal existence. It is true, of course, that in practice the majority decision of the Assembly cannot be brushed aside.

The demand for more teeth for the United Nations is also unrealistic. It ignores the fact that punitive action against a Great Power will mean a world war—which it is the fundamental precept of the United Nations Charter to banish. The fact that the Powers which possess Atomic or Hydrogen Bombs are not prepared to suspend even their thermonuclear tests, despite the knowledge of risks to the existence of human race, indicates the extent of ill that can accrue should the present precarious balance be disturbed.

What shakes world peace is not the veto power of the Big Five or the inadequacy of the Charter, but subjugation of peoples, racial inequality and the insecurity of existence in the under-developed regions. There is nothing in the Charter which stands in the way of the eradication of these conditions. The weakness lies, indeed, not in the provisions of the Charter, but in the lack of morality and sense of justice among those who, blinded by ambition, seek to curb human freedom and aspiration.

KHRUSHCHEV'S TELEVISION BROADCAST

THE VIRULENT vituperation of Mr. Vyshinsky during the early days of the cold war seems to have given place to comparative amiableness in these days of atomic stalemate. In his television broadcast to the Americans recently, Mr. Khrushchev talked in terms of sweet reasonableness, and with apparent sincerity. He referred to the mortal danger to mankind from the repeated atomic and H-bomb tests and the extinction of humanity should there be another war. One must remember, however, that it is not necessary to be a paragon of virtue to quote from scriptures. Who can forget the aid given by Mr. Khrushchev and his comrades in perpetrating the atrocities now credited to Stalin? And who can help seeing that the "collective leadership" has used and is using those very methods which they condemn in Stalin—to "liquidate Beria and his gang of imperialist hirelings", to suppress in blood and terror the Hungarian revolution in the autumn of last year? And has not Mr. Khrushchev's Russia tested atomic bombs—which he holds are harmful to mankind—more frequently than any of the Western Powers? It is difficult, then, not to suspect that Mr. Khrushchev's television broadcast is a new propaganda technique, and not much more.

Mr. Khrushchev has again offered to withdraw troops from East Germany, Poland, Hungary, Czechoslavakia and Rumania—if the United States withdraws its forces from Western Europe, Greece and Turkey. In order to emphasize, as it were, that his offer is genuine, the Communist Party chief has asserted that he had made this offer in the certain belief that the Communist regimes in Eastern Europe enjoyed the support of the people and could not, therefore, be subverted by "capitalists or their agents". To believe that the Kadar Government in Hungary "is based on the will of the people" is next to impossible, with recent happenings in that country fresh in memory. Indeed, recent events in Hungary and Poland have shown, on the other hand, that Communist regimes can only be maintained with the help of Russian troops. Moreover, if Moscow were really as zealous an advocate of co-existence as Mr. Khrushchev has claimed, some evidence for it would surely have been found in Soviet foreign policy. The reversal of the policy of de-Stalinization has countered effectively the co-existence so much bruited.

Mr. Khrushchev has as usual praised the Communist ideal which is, according to him, essentially democratic and which is sure to triumph in an ideological struggle over capitalism—a system based on "wage-slavery" and "violence". Like a true Communist, Mr. Khrushchev has misrepresented issues. The conflict, it is hardly worth repeating, is not between a socialist and a capitalist economy, but between regimentation and freedom to choose. There is nothing in the history of Man to suggest that he will prefer regimentation to freedom. It might be said, and said with a grain of truth even, that during the last few years conversion to Communism has increased. But if the condition under which Communism spreads are carefully studied, it would be found that it was accepted only where the alternative was not freedom but submission to political tyranny and economic servitude, and where neither security nor stability existed. In many cases Communism was imposed by the Red army.

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A Window on the World

WHERE POLICE POWERS ARE GREATEST

By

ODYSSEUS

MR. BANARASI DAS, former Parliamentary Secretary to the U.P., seeks to persuade the All-India Congress Committee that the highest salary receivable by a Congress man in office should not exceed ten times the lowest and that the highest itself should in any case not exceed Rs. 1,000. This sort of muddled thinking acts like a red ribbon on a typewriter to this column, making us gnash our newsprint, and tear out out italics.

The obvious questions that Mr. Das' resolution raises are: Why should the Congress party take steps to make it more difficult for it to secure the services of men who are capable and ambitious? Why this self-denying ordinance? But these questions are really the froth on the surface. What Mr. Das is really implying is that inequality of incomes is incompatible with the Socialist ideal.

In going back to fundamentals to consider the Socialist ideal, I shall be drawing extensively on the facts established in Bertrand de Jouvencl's masterly little book of 90 pages, "The Ethics of Redistribution" (Camb. Univ. Press. 1951) to which I direct your attention. Anyone who has asimilated this, and Walter Eucken's 96 paged "This Unsuccessful Age" (W. Hodge. London. 1951), should have a well-grounded working knowledge of the major fallacies that impede progress in this mid-twentieth century.

Whence did the practice of redistribution of income by the state originate? As J. E. Meade says in his "Planning and Price Mechanism," complex state machinery has grown up piecemeal to provide money benefits, free medical and other services, and goods and services below cost, by which money is distributed to the poorer from the richer, whose incomes besides being diminished by direct taxation are eroded by rent control, dividend limitation, and other extractive devices.

In the course of the next week or two, I propose to try to show that Redistributionism is descended neither from Socialism nor from ideas about redistribution of land.

EQUALITY IN LAND DISTRIBUTION

The idea of land redistribution in the name of social justice begins with the dawn of history itself when agriculture was the major industry throughout the world. In the Christian world, its respectability is vouched for in the Bible, where in the first instance land was to be apportioned by lots (Cf. Numbers xxxviii. 54). But note the difference between (a) the ancient tradition that the land needs to be re-distributed periodically to ensure holdings of equal size and (b) the idea that incomes should be equal. Tradition does not advocate the equalisation of the produce of the land but only of the source of the produce. Tradition does not visualise Mr. Das' world in which no Congress man would enjoy more than Rs. 1,000 a month. On the contrary, the traditional view is that, providing all men have started with an equal endowment of land, it is just that inequalities of reward should arise which reflect harder and better work on the part of some owners. The aim is not to equalise incomes but the original capital endowment.

Socialists and traditional agrarian reformers thus have one aim in common: the elimination of the effects of unequal distribution of property. This ideal accords with that of the American ideal of free universal education (up to post-graduate levels for those capable of benefiting by it) which gives everyone the same start but says nothing about preventing them from exploiting their individual talents thereafter, and going on to becoming millionaires if they can—a logical conclusion which upsets Socialists.

The Socialist ideal is a new society based on brotherly love. Socialists do not merely consider that rewards are not proportionate to effort, they are in emotional revolt "against the antagonisms within society, against the ugliness of men's behaviour to each other." The embryo of this doctrine is traceable to Rousseau, who thought that social progress increased strife by arousing man's desires and the competitive spirit. He held that the cure was to re-educate men into substituting love of fellow-men, love of society, for love of oneself. This is the basis of all genuinely Socialist thought. Secondly, Rousseau held that social antagonism arose from "objective situations," the removal of which would remove strife. Socialists single out private property as the basic "situation" creating antagonisms, first, between those with and those without property; secondly, between those with property.

The true Socialist solution is by extinguishing private property to extinguish all antagonisms, thereby rendering unnecessary the whole of the state's machinery of repression and police power, and enabling the state itself to wither away.

Now, at this point there may be some Socialist in the audience who will rise in wrath and say that all that stuff about the state withering away is out of date and is not fundamental to Socialist doctrine. Anyone who argues thus is unacquainted with the history of Socialism, from which the plain fact emerges that the promise that the state will wither away is fundamental to Socialist doctrine, because the disappearance of antagonisms and the achievement of brotherly love is Socialism's fundamental ideal.

SOCIALISM IN RUSSIA

It is, however, easy to see why many contemporary Socialists forget, or refuse to recognise, this fact. It is because actual experience has now overtaken and disproved the theories of Rousseau and his nineteenth and early twentieth century followers. The years since October, 1917, when Socialism was inaugurated in the U.S.S.R. have shown that police powers are at their greatest (and judging by the rampant "treason" purges, brotherly trust and love at its lowest) everywhere that private property has been eliminated. Not only has this failed to end antagonism, but what spirit of solidarity has been achieved "seems to have as a necessary ingredient the distrust and hatred of another society." The most typical sermons preached by the leaders of the U.S.S.R., China, and the satellite countries, are denunciations of the warlike intentions of foreign powers (including other Socialist states, like Yugoslavia).

And the curious fact is that in such a completely socialised state as the U.S.S.R. so far from the radiance of brotherly love dissolving all antagonisms, traitorous friends of the capitalist classes are frequently discovered (or alleged) to be in league with aggressive foreign capitalist states. "Thus," Bertrand de Jouvenel shrewdly points out, "the solidarity obtained is not, as intended, a solidarity of love but, at least in part, a solidarity in strife"—which must make Rousseau, Marx and all their disciples wonder where they went wrong.

They went wrong by leaving religion out of it. A community based not on the economic independence of the individual but on a brotherly sharing of the common produce, inspired by a deep feeling of unity (not aroused by, or directed against, foreign enemies) is not Utopian. Such communities have existed for centuries in monasteries. Is it not significant that the first objective of the Chinese Socialists on "liberating" Tibet was to liquidate those communities which come nearest to achieving Socialist material equality and spiritual brotherliness?

If we examine monastic ideals, we see why monks succeed where Socialists fail. The inmates of monasteries are handpicked, dedicated individuals, bound together by solemn spiritual vows and by one objective: the love of God. Material goods can be shared without difficulty because they are spurned. Monks are working to raise their spiritual, not their material, standards of living. There is no antagonistic competition among individual monks because they are not out to increase production at all. They live in harmony because they constitute not a social but a mystical body.

Socialist writing and preaching is full of this mystical brotherly love, but what the authors and orators do not realise is that they seek to create an economic peace among brothers who are all out, and indeed egged on by the state, to produce more material goods, and a mystical harmony among men who are constantly reminded either that they live in a secular state in which any religion is held to be as good as any other, or in an atheistic state which dismisses all religion as superstition.

Here, I think, we lay our finger on the basic contradiction of Socialism. On the one hand, it holds out a mystical appeal — the ideal of brotherly love and repudiation of production for the profit of the individual producer that exists in unreconstructed capitalist societies. On the other, it has, with its Five-Year Plans and its Heroic Worker medals, endorsed the capitalist societies' pursuit of ever increasing consumption.

But if all society's efforts are directed towards the production of more goods, why should the individual citizen be denied more goods? If, as Bertrand de Jouvenel says, the good of society lies in greater riches, why not the good of the individual? If the appetite for more possessions, more riches, is disgraceful in the individual, why not in society?

The Socialist is undaunted by these questions. He replies that it is not more production that is disgraceful but, like Mr. Das, unequal distribution. This reply opens new horizons for which we have no space this week. Suffice it to suggest a train of thought by observing that (a) the supporter of free enterprise is entitled to hold that justice demands that individual rewards should be proportionate to individual endeavours, and (b) the Socialist is entitled to hold that justice demands that individual rewards should be proportionate to services rendered to the community. We may provisionally agree that existing society does not achieve the free enterprise conception of justice and that the Socialist conception does not mean that justice is achieved by equalising all incomes, or by arbitrarily limiting them to multiples of Rs. 100 with a maximum of Rs. 1,000. We will struggle afresh with these matters next week.

P. N. B.

WORKING RESULTS AT A GLANCE

STATEMENT OF ACCOUNTS AS ON 31-12-1956

LIABILITIES

i.	Paid up capital	Rs.	87,50,000
ii.	Reserve Fund and other Reserves	Rs.	1,25,00,000
iii.	Deposits	Rs.	1,06,38,58,201
iv.	Other Liabilities (including contra items such as Bills for collection and acceptances, endorsements and other obligations)	Rs.	32,52,11,363
	Total ..	Rs.	1,41,03,19,564

ASSETS

i.	Cash and balances with Bankers		
ii.	Investments	Rs.	12,39,23,611
	(a) Investment in G. P. Notes, Municipal Loans and shares guaranteed by the Central and State Govts. 46,89,66,671		
	(b) Other investments		
iii.	Loans and advances 1,40,42,990		48,30,09,661
iv.	Other assets (including contra items such as Bills Receivable being Bills for collection and constituent liabilities for acceptances, endorsements and other obligations)		54,86,00,526
			25,47,85,766
	Total ..	Rs.	1,41,03,19,564

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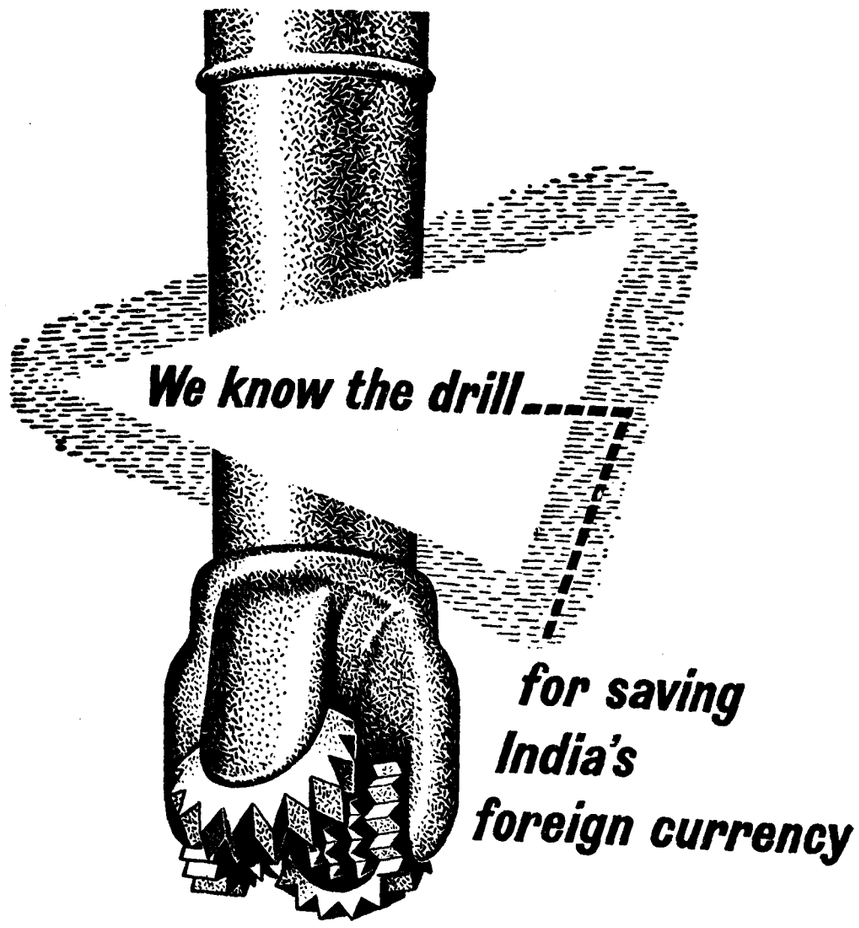
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WHY BOURGUIBA ISN'T NASSER

(From Our Special West European Correspondent)

PARIS, June 8.

RELATIONS between France and her former North African protectorate, Tunisia, now governed by the Neo-Destour party of Habib Bourguiba, are again near breaking point. This new crisis has supervened soon after the delicate repair of the breach caused last autumn when the French kidnapped the Algerian leaders who were on their way to Tunis for the talks between Bourguiba and the Sultan of Morocco. The harmony restored by negotiations that lasted most of the winter was fragile, and could not survive the sudden decision of the Mollet Government, at the very moment of its defeat, to suspend the £12 million of economic aid which had already been promised, signed, sealed and approved by Paris. The surprise in the new crisis is not that Bourguiba has permitted himself some gestures of extreme irritation and has called in question the whole future of Franco-Tunisian relations, but that he has not allowed himself to be carried further into the sort of disastrous vindictiveness that Nasser practised in the face of similar provocation last summer.

For the provocation Tunisia has just received from France is not only comparable to, but much more direct than, that offered Egypt in the refusal to finance the Aswan barrage. Worse, the French decision in this case was not even the outcome of the type of "calculated risk" that Mr. Dulles has boasted of in the Aswan affair; it was simply part of a desperate and absurd parliamentary manoeuvre by the falling Mollet Government, which was seeking to convince the Right (whose votes it needed to avoid defeat) that it could "get tough" with the North Africans. The sample of toughness it chose to provide was to break the solemn promises it had given Bourguiba to furnish economic aid for the country's development, on the grounds that Bourguiba's Tunisia was actively supporting the Algerian rebellion.

In fact, of course, Bourguiba's Tunisia is indeed supporting the Algerian rebellion. It is improbable that the Government in Tunis is directly involved in gun-running across the Algerian border and nor is there any centrally directed policy of aid and shelter for the terrorists who take refuge in Tunisia. But if Bourguiba's officials are not positively doing these things, they are certainly doing nothing to stop them; and at the lower levels of administration, along the border of Tunisia and Algeria, Tunisian officials are evidently directly implicated and are receiving no orders from higher levels to desist. To that extent, the French are quite justified in saying, "Here is a country to which we have just given complete independence and to whom we are expected to supply all sorts of economic and other aid, but which is blatantly abetting the terrorists who are marauding and murdering throughout neighbouring Algeria". But if that much is true, it does not follow (though the Right in Paris and Algiers affects to believe this) that if Tunisian support were discontinued, the terrorism in Algeria would cease. A much probable result, Bourguiba could reply, would be that terrorism would continue in Algeria and furthermore extremists would take control in Tunisia itself — because no Muslim Government anywhere in the world and least of all at Algeria's doorstep can afford to appear to be co-operating in the French work of putting down terrorism in Algeria.

It is quite plain that such assistance as Bourguiba is giving — or suffering to be given — to Algerian terrorism is given against his will and because he has very little choice in the matter. He has made it clear, moreover, that no one wishes more heartily than he to see an end to the Algerian struggle, and not necessarily on the extreme terms put up by the rebel leaders. Still, his position would not be very honourable if it were limited to that: it would be no credit that he acquiesced in the continuance of terrorism from a feeling of well-intentioned helplessness and in order to perpetuate his own moderate regime in Tunisia. But he has gone much beyond that. He has repeatedly offered his assistance in bringing about an end to the fighting, and has matched his castigations of French repression with admonishments to the terrorists to accept a reasonable compromise. Though the French have snubbed him and the terrorists ignored him it is clear that for both parties Bourguiba still represents the best way out of a bloody and hopeless tangle, as soon as each side recognises that prolongation of the conflict is useless.

There are reasons to doubt the argument of the French Right that because Bourguiba subsidises assassins, France should cut off economic aid. And in fact most members of the late Socialist Government realised this, especially the Foreign Minister, Christian Pineau; the aid agreement had been drawn up and approved despite Right-wing objections. Nothing had changed at the end of last month, except that Pineau was absent in New York at a U.N. meeting, and Mollet's Government badly needed Right-wing votes to stay in office. So Mollet dramatically announced suspension of the aid pact. His Government fell anyhow, because the Right was too much concerned about the new taxes required to finance the Algerian war, and about the pig-headed refusal to resume use of the Suez Canal, to be placated by the last-minute sacrifice of Habib Bourguiba. It is a damning commentary on French political morality (and also an explanation of why France will never build a Commonwealth on the British model) that the connection between France and a former colony (a connection which in this case includes a customs union) can be thrown away for the sake of a parliamentary debating flourish.

If Bourguiba had been Nasser a variety of catastrophic responses would have been open to him in the face of this senseless insult. He could have nationalised the phosphate mines in Tunisia, sequestered the goods of some of the 130,000 Frenchmen that live in his country, done something foolish about the vital naval base at Bizerta, quit the franc zone, wound up the customs union with France, broken off all relations with France or just set mobs loose on the 40,000 French troops stationed along the Algerian border of his country. In fact, it was widely expected in his own entourage that he would do some of these things; the danger of reprisal seemed small for France was at the time without a Government.

On the contrary, Habib Bourguiba made a firm and angry speech that concluded: "We shall liberate ourselves economically as we did politically. But we will

do it by means of the reason, patience and moderation we have always shown. No adventures. No surgery". That this comparative moderation did not cover weakness he made plain by serving notice on Paris that he henceforth counted as void all the economic treaties between the two countries, and adding that a mere later agreement by Paris to resume its economic aid would not alter this situation. This denunciation of what he claimed were unequal treaties was not to be final, but would clear the way for negotiation of new and fairer agreements as soon as France had given herself a new government. Meantime, he signified revision of the customs union by beginning direct negotiations about trade agreements with a number of third countries.

Of course, it can be pointed out that Tunisia's moral and material position is too weak reasonably to allow her any further reprisals. She is, how willingly does not matter, morally implicated with the Algerian terrorism, and Bourguiba made his speech the very day the fellagas brutally massacred 302 Muslims as part of their war not with France but with the rival MNA terrorists. There are 40,000 French troops in the country, presumably in a state to defend themselves and other French nationals. The country is poor and nearly bankrupt and depends for its existence on French aid, and would even be severely hit economically by the withdrawal of the French garrison which Bourguiba nevertheless demands. Bourguiba's first attempts, after suspension of French aid, to obtain ready support elsewhere, by calling in the American, West German and British representatives, showed him that the nations able to assist him were much concerned to avoid offending their French ally. Russian and Arab-Egyptian offers of help, though supposedly unconditional, obviously carried with them dangers too great to be run by the moderate Neo-Destour regime. All of these facts add up to a sound case for declining to enter upon adventurous courses, but recent displays of Islamic "diplomacy" in Egypt and further east were notable precisely in that they did not reckon with similar realities. So although it is no great praise of the Tunisian Government that in the face of deliberate provocation it did not respond with passionate recklessness, the fact is nonetheless unusual enough in the charged atmosphere of the Middle East to be worth recording.

Franco-Tunisian relations, then, go back to where they were last autumn after the kidnapping of the Algerian rebel leaders. (That event is now sufficiently remote for us to point out that it has had absolutely no effect on terrorism in Algeria, which has worsened since; so there too France ruined her connection with Morocco and Tunisia without gaining anything in the Algerian struggle.) This time Bourguiba has shown that he is not so anxious to keep his differences with France "in the family", by appealing to the U.N. to do something about the refugees entering Tunisia from war-torn Algeria. It will take a long time and much goodwill for the new French Government to restore cordial relations with its only friend in all Islam, Habib Bourguiba. Yet, every day the Algerian war drags on makes it more evident that it is only through the intercession of Bourguiba (along with, perhaps, the Sultan of Morocco and the leaders of French tropical Africa) that any solution of that struggle can be obtained within the family of nations that look to Paris, as distinct from a solution imposed by the U.N. — i.e. by the Big Powers.




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The Hindu

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WORLDGRAM

AGRICULTURE

All-India Agricultural Labour Enquiry: A second all-India agricultural labour enquiry is now being undertaken by the Union Ministry of Labour and Employment to bring upto-date the data collected during the first enquiry in 1950-51. Data on all essential aspects such as size of family, occupational structure, employment and unemployment, wages and earnings and indebtedness of agricultural labour was collected during the first enquiry.

*

Soil Testing Laboratories: Out of the 24 soil testing laboratories, 14 have already been set up in the country. The 14 laboratories are at Nagpur (Bombay), Calcutta (West Bengal), Poona (Bombay), Coimbatore (Madras), Sabour (Bihar), Ludhiana (Punjab), Cuttack (Orissa), Hyderabad (Rajender Nagar Farm) Andhra Pradesh), Bangalore (Mysore), Nabha (Punjab), Trivandrum (Kerala State), Gwalior (Madhya Pradesh), Simla (Himachal Pradesh), and Indian Agricultural Research Institute, New Delhi. It was proposed to open the remaining 10 laboratories at the following places: Damodar Valley Corporation, Hazaribagh (Bihar), Agartala (Tripura), Kotah (Rajasthan), Bapatla (Andhra Pradesh), Rajkot (Bombay), Jabalpur (Madhya Pradesh), Central Tobacco Research Institute (Rajamundry), Coffee Research Board (Bollihanur) (Mysore), Kanpur (Uttar Pradesh), and Jorhat (Assam). The statement stated that the idea at the time of selection of the sites was to give at least one laboratory to each State and it was to be done in stages. Preference was given to States where the work could be started readily. Each of these centres would cost Rs. 31,500. Out of this, a sum of Rs. 19,500 would be recurring every year. The statement also said that the Government of India would finance the schemes for three years and then the laboratories would be handed over along with equipment, to the respective States and agencies free of cost.

INDUSTRY

Record Production at Machine Tools Factory: The Hindustan Machine Tools Factory surpassed all previous production records by turning out a record number of 36 machine tools during May 1957. These machines includes

i) 29 standard 1000 MM lathes,
ii) Two lathes of 1500 MM produced for the first time in the factory, and
iii) Five horizontal milling machines also produced for the first time in the factory.

The previous best performance of the factory was 25 lathes in January 1957. With the factory touching the production rate of 36 machine tools per month, it has not only achieved, but far surpassed its target production rate, envisaged under the original programme, four years ahead of schedule. Under its original production programme, the factory was scheduled to reach an output of 400 machine tools per annum by 1960-61.

*

Co-operative Sugar Mills: Thirty-eight licences had so far been issued for opening co-operative sugar mills—16 in Bombay, 5 each in Punjab and Andhra Pradesh, 3 each in U.P., Madras and Mysore, and 1 each in Bihar, Assam and Orissa. Four applications were under consideration, two for establishment of sugar factories in Uttar Pradesh and one each in Punjab and Andhra Pradesh. The statement further stated that a total amount of Rs. 279.1 lakhs had been sanctioned as loan—Rs. 158.0 lakhs to Bombay, Rs. 86.1 lakhs to Punjab, Rs. 25.0 lakhs to Madras and Rs. 10.0 lakhs to Assam—for this purpose.

Draft Standard for Fountain Pen Inks: The Indian Standards Institution has circulated, for a period of three months, a draft Indian standard specification for coloured fountain pen inks, (Blue, Green, Violet and Red) for eliciting comments. This draft standard gives instructions about collecting samples and prescribes requirements for sediment, dye content, keeping quality and performance. Comments on this draft standard may be sent by August 10, 1957, to the Indian Standards Institution, 19 University Road, Delhi-8 or to its branch offices in Bombay and Calcutta.

TRADE

Foreign Trade of India during March 1957: The provisional figures of foreign trade of India by all routes, i.e., sea, air and land, on private and Government accounts, during March 1957, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows:

MERCHANDISE: Excluding transit trade of Pakistan and other overland foreign countries, viz., Nepal, Tibet, Sikkim and Bhutan:

Exports	Rs.	5060 lakhs
Re-exports	Rs.	41 lakhs
Imports	Rs.	7951 lakhs
Total Trade	Rs.	13052 lakhs
TREASURE		
Exports (including Re-exports) of currency notes	Rs.	36 lakhs
Current coins (excluding gold coins)	Rs.	1 lakh
Others	Nil	
IMPORTS		
Gold	Rs.	4 lakhs
Currency notes	Rs.	453 lakhs
Others	Nil	

The merchandise import figures are exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures, the total value of exports (including re-exports) of merchandise and gold fell short of imports by Rs. 2854 lakhs.

*

Export Promotion Council for Shellac: An export Promotion Council for shellac has been set up to maintain and promote the exports of Indian shellac. This is the nineth Council sponsored by Government to maintain and develop export markets for Indian products. The Export Promotion Council for shellac, which will have its headquarters in Calcutta, will undertake market studies in foreign countries, send trade missions abroad and appoint representatives or agents for purposes of collecting and disseminating among exporters statistical and other information about the export trade. The other functions of the Council are publicity for shellac abroad and publicity at home of samples of goods in demand in foreign markets. India's total exports of shellac in 1953-54 were valued at Rs. 3.6 crores, at Rs. 6.27 crores in 1954-55 and Rs. 7.28 crores in 1955-56. The exports in the period April to December 1956-57, were worth Rs. 5.12 crores. The principal markets for Indian shellac are the United States of America, the United Kingdom, West Germany, Italy and other continental countries and lately the Soviet Union.

*

Indo-Czechoslovak Trade Agreement: Letters were exchanged in New Delhi recently between Shri K. B. Lall, Joint Secretary, Ministry of Commerce and Industry and H. E. Mr. Jiri Nosek, Ambassador Extraordinary and Plenipotentiary of Czechoslovakia in India, extending the Trade Agreement concluded between the two countries on November 17, 1953, up to September

30, 1957, pending negotiations for modification of the Agreement. The trade between the two countries has been on the increase since the signing of the agreement. Exports during the period April to December 1956 from India to Czechoslovakia were valued at Rs. 209 lakhs as compared to Rs. 133 lakhs during the whole of 1955-56. Imports from Czechoslovakia during April-December 1956 amounted to Rs. 517 lakhs against Rs. 289 lakhs during 1955-56. The main items of Indian exports to Czechoslovakia are iron ore, mica and skins. The main items of imports from that country are chemicals, machinery and mill work, iron and steel and paper.

FINANCE

Customs and Excise Revenue for March 1957: 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 the month of March, 1957, amounted to Rs. 17.67 crores as compared with Rs. 17.42 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. 15.50 crores against Rs. 14.27 crores, export duties for Rs. 1.69 crores as against Rs. 3.03 crores and land customs and miscellaneous for Rs. 48 lakhs as against Rs. 12 lakhs.

The total gross collection of Union Excise duties amounted to Rs. 17.65 crores as compared with Rs. 12.54 crores.

During the twelve months, April, 1956, to March, 1957, the grand total of gross Customs and Union Excise Revenue realised was Rs. 365.60 crores as compared with Rs. 320.19 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 143.18 crores as against Rs. 130.83 crores; export duties for Rs. 30.07 crores as against Rs. 37.50 crores; land customs and miscellaneous for Rs. 3.79 crores as against Rs. 2 crores and the Union Excise duties for Rs. 188.56 crores as against Rs. 149.86 crores.

*

Excise Duty on Tea and Coffee: The Government of India have decided to restore on and from the 1st June, 1957, the 'status quo ante' in respect of the excise duties on tea and coffee. These duties had recently been enhanced through the Finance (No. 2) Bill of 1957. The procedure introduced by the Government on the 25th May, 1957, in regard to export of tea, not otherwise specified, and package tea by manufacturers and exporters other than manufacturers, has been cancelled, and the procedure for export of tea which existed before will now again be in force.

*

Loan for Bhakra-Nangal Project: In a written reply to a question by Shri D. C. Sharma, Shri S. K. Patil, Union Minister of Irrigation and Power, said in Lok Sabha, that an amount of Rs. 14.55 crores was advanced by the Central Government as loan to the Governments of Punjab (including PEPSU) and Rajasthan during 1956-57 for irrigation and power works. The main development works undertaken were:

(i) Construction of roads in the areas served by the Bhakra canals;

(ii) Establishment of mandies to facilitate the marketing of exportable surplus commodities produced in the areas irrigated by the project; and

(iii) Development of factory and residential areas.

*

Rural Housing Grants: Shri K. C. Reddy, Minister of Works, Housing and Supply, in a written reply to a question by Shri Onkar Lal stated in the Lok Sabha, that the sum of Rs. 10 crores available for rural housing in the second Five-Year Plan had not so far been allocated to States, as the rural housing programme had not yet been finalised. The programme was likely to be finalised soon. In the meantime, allocations of a token character had been made to States in the current financial year. A sum of Rs. 2.30 lakhs had been allocated to Rajasthan.

*

UNICEF Grants for Health Programmes in India: An amount of $38,000 has been allocated to India by the 30-nation Executive Board of the UNICEF for a programme to improve, expand and integrate the training of physicians in chemical and social paediatrics. The UNICEF Board has also made allocation of $2,045,500 for programmes of tuberculosis control, goitre control, pre-school and school feeding programmes and for maternal and child welfare services in the Community Development areas. The allocation for tuberculosis control is $1,31,000, for goitre control $16,500, for feeding programmes $3,83,000 (which is the cost of freight only) and $1,515,000 for maternal and child health services.

*

Funds for Nagarjunasagar Project: A sum of Rs. 396 lakhs was advanced as loan by the Government of India to the Andhra Pradesh Government for the execution of the Nagarjunasagar project during the year 1956-57. A provision of Rs. 550 lakhs had been made in the Central Government budget for 1957-58 for the purpose of advancing loans to the Andhra Pradesh Government in connection with the execution of the Nagarjunasagar Project.

GENERAL

Goitre Control Scheme: A scheme for the control of goitre in the sub-Himalayan region extending from Kashmir up to Himachal Pradesh and NEFA where goitre is known to be prevalent has been sanctioned by the Government of India. Under this scheme a rapid survey of the whole region will be undertaken and an assessment made of the problem of goitre in areas where it is not clearly defined. Arrangements to distribute iodised salt in areas affected by endemic goitre are also contemplated. To begin with, it is proposed to supply iodised salt in some of the endemic areas selected from the States of Punjab, U.P., Bihar and Assam and the Union territories of Himachal Pradesh and NEFA.

*

Eastern Shipping Corporation: The working of the Eastern Shipping Corporation Limited in 1955-56 has shown a net profit of Rs. 31,71,038. Out of this, the Corporation has repaid to Government of India a sum of Rs. 17.11 lakhs which it has received from them during the previous year to cover the loss incurred by it under the term of the Indemnity Agreement between it and the Government. One of the two vessels, for which the Corporation had placed orders with the Hindustan Shipyard, has been delivered during 1955-56 bringing the total number of the vessels of the Corporation's fleet to seven. This vessel, "the State of Kutch", is the largest ship built in the shipyard so far. It has an overall length of 488 feet, a gross tonnage of 5,296 tons and a trial speed of 14.9 knots. "The State of Kutch" has been put on the India-East Asia-Japan route. The Eastern Shipping Corporation has also placed orders with the Hindustan Shipyard for three overseas vessels of 9,500 DWT each and one cargo-cum-passenger vessel of about 4,000 DWT. The management of the second-hand passenger-cum-cargo ship MV "Nicobar", acquired by the Ministry of Home Affairs, has been entrusted with the Eastern Shipping Corporation. The ship is employed on the India-Andamans route.

NEWS IN BRIEF

INDIAN

Industrial production in India maintained during 1956 the annual rate of increase of 7 to 8 per cent, achieved towards the end of the first Plan, although the developments contemplated in the second Plan have yet to take shape.

*

Provident Fund benefits were provided to 3.17 lakhs of colliery workers by the end of the financial year 1955-56.

*

The Indian Telephone Industries (Private) Limited, Bangalore, proposes to increase its manufacturing capacity progressively to 65,000 telephone instruments and 45,000 exchange lines per annum during the second Plan period.

*

The Government of India have decided that the procedure for export out of India of articles under claim of rebate of duty on exciseable goods used in their manufacture should be extended to umbrella cloth as well.

*

The Indian Standards Institution has circulated for eliciting comments, a draft Indian standard specification for wrought aluminium and aluminium alloys, bolt and screw stock (for general engineering purposes).

*

The President has given his assent to the Uttar Pradesh Consolidation of Holdings (Amendment) Bill, 1957. The Bill provides for the payment of compensation to tenure holders whose lands are utilised for public utility purposes.

*

The President has given his assent to the Essential Commodities (Amendment) Act. The object of the amending legislation is to discourage hoarding and to prevent undue profiteering by traders in food grains.

*

It has been estimated that the services of about 2,500 persons trained in chemical engineering and technology will be required in the country during the next five years.

*

The Government of India have issued a notification prohibiting the export of rice, including paddy, from Greater Bombay to any outside area except under permits by the Bombay Government.

*

A number of schemes for the development of handicrafts have been approved by the Government of India. Grants and loans totalling Rs. 1 lakh have been sanctioned by the Union Ministry of Commerce and Industry for the purpose.

*

The Government of India have increased the prices of wire and wire products. The prices which have on an average been increased by approximately Rs. 84 came into effect from May, 1957.

FOREIGN

Economic experts from Saudi Arabia, Jordan, Syria and the Yemen have signed an agreement setting up an Arab financial organisation with a capital of £20 million for Arab economic development.

*

Britains import duties on iron and steel products may be reduced as a result of negotiations in London at the meeting of the Council of Association between the UK Government and the High Authority of the European Coal and Steel community.

*

A plan for issuing life insurance policies linked in a value either to the official cost of living index or to the official rate of exchange of the Israeli pound to the dollar has been put forward by nine local insurance companies in Tel Aviv.

*

The Norwegian Government's long-term economic development programme for the four year period 1958-61 foresees an average annual increase in total production of some three per cent.

*

Under a new Japanese-Swedish one year trade agreement, which has recently been signed, sweden will adopt a trade liberalisation policy towards Japan's exports, while Japan will give import from Sweden non-differential treatment similar to that given to imports from the sterling area.

*

An agreement has been signed in Geneva under which Israel will benefit from the multilateral payments arrangements of the Economic Commission for Europe.

*

The Swiss Government has agreed to an Austrian request for a loan to enlarge and modernise railway stations on the Austrian-Swiss border. The loan requested was understood to amount to some Swiss Frs. 50 million (about £4,166,000).

*

The cost of operating airlines into the UK has been increased by an additional $1.4 million (£500,000) a year from June 1 as a result of a new scale of landing charges introduced by the British Government.

*

The Egyptian Finance Ministry has announced an immediate issue of import licenses for £6 million worth of sterling goods which were ordered before Egypt's sterling balances were frozen last July 28.

*

Production in the US has falttened out at a record height, but the output of a number of individual industries is declining. Overall production is stable despite these individual declines, which are being offset by advances in other industries.

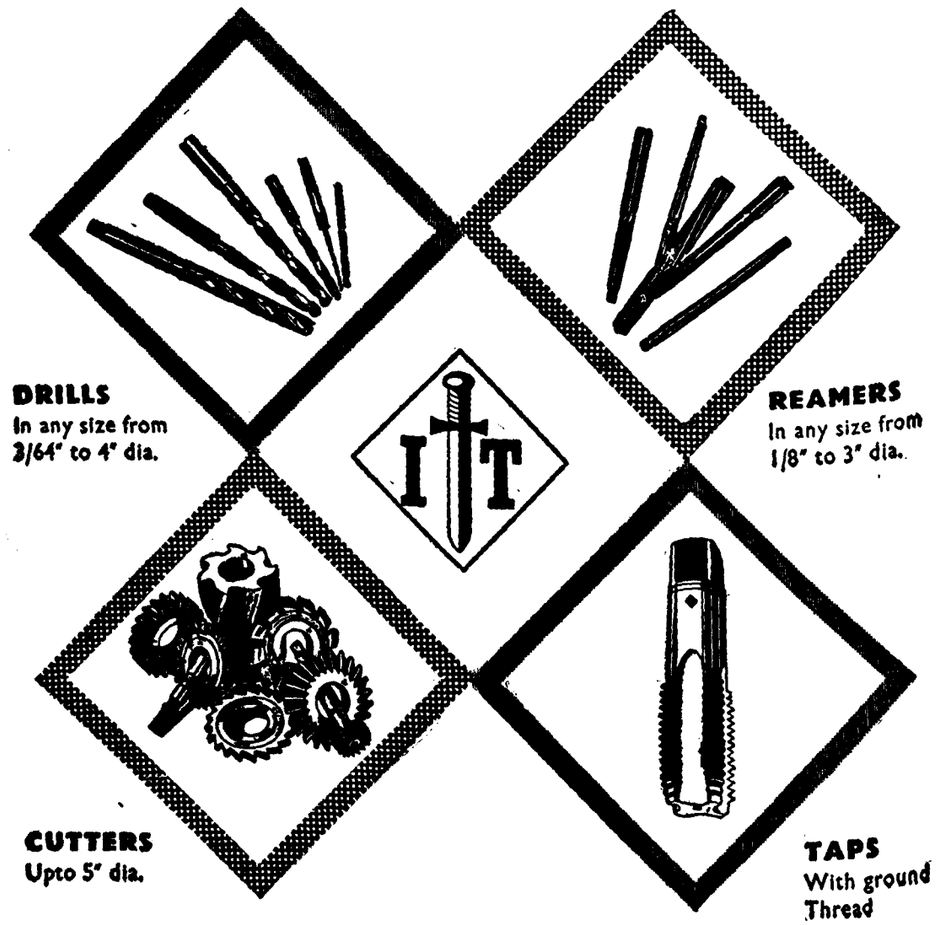
*

The Board of Trade in England has prolonged the suspension of import duties on blast furnace ferromanganese and on a wide range of iron and steel products until March 18, 1958.

*

It is reported Krupp has booked a firm £2 million Turkish order for the construction of a blast furnace at Karaburk.

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Economic Report from the U. S.

PEOPLE'S CAPITALISM

(By GUY SIMS FITCH)

WASHINGTON, June 4.—From the nation's capital, and from New Haven, Connecticut, seat of Yale University came this week, wholly independent of each other, two decisions that throw considerable light on the workings of the United States economy. The Washington decision involved a suit brought by the U.S. Government against two of America's corporate giants—E. I. Dupont De Memours and Company, known for its leading role in chemicals and a variety of other industries, and General Motors Corporation, largest automotive firm in the country. It was the finding of the U.S. Supreme Court that a 23 per cent stock interest held by Du Pont in General Motors violates the nation's anti-trust laws. These laws, dating back to 1890 and strengthened since, are designed to protect the public against industrial monopoly.

No one — and that includes the Supreme Court justices who handed down the decision—had questioned the integrity or honesty of the officials of either company. Nor has anyone cited any serious evidence of conspiracy between the companies to restrict trade or manipulate markets. But it is the sense of the verdict that the mere existence of this stock interest is undesirable in principle, that it could lead to monopoly situations which might restrict opportunities of competitive concerns. This far-reaching interpretation of the anti-trust laws can be construed as one way in which American capitalism is made to work for the benefit of the nation as a whole. It was precisely this concept of widely shared opportunities and rewards that was exhaustively examined at Yale University last November by a panel of economists, college professors, business men and labour leaders. This week their findings and decisions were made public in a pamphlet issued by the advertising council. The essence of it is that people's capitalism — a term popularized by the council — is an apt description of the American economic system. The pamphlet itself bears this title of "people's capitalism".

In accepting this term, these analysts agreed on one basic conclusion. It is this: in human history, the U.S. economic system has come closest to the goal of providing abundance for all in an essentially classless and free society. Inherent in this view, of course, is the wide spread of ownership either through the holdings of corporate stock or the ownership of farms and businesses. Fully one-third of American families can be said to have in this way a direct share in the nation's productive assets. This does not take into account the even broader ownership of insurance and pension policies, land and residential property. These types of ownerships, coupled with the Government's vigilance — as in this week's Supreme Court decision — to maintain the integrity of free and competitive enterprise, provide effective safeguards against undue concentration of wealth and power.

But ownership by itself is by far not the only, or perhaps even the most important, element in the American system. There is, most obviously, the broad popular sharing of this economic system's benefits in the form of high and rising standards of living. Beyond that, there is the fact that consumer preferences, based on high incomes and an abundance of goods, dominate the workings of the free market. And underlying all these aspects is the recognition by all groups, including business and labour, that economic enterprise must, in the final analysis, be conducted with due regard for the public welfare. This does not mean that the United States has found the perfect system. The Yale panelists would be the last ones to make any such arrogant assertion. Trained analysts who are careful to document their conclusions at every turn, point to a number of problems that still face the American economy. But they find these problems arising not from the imminent threat of stagnation or decline, but from a possible excess of the very dynamism that has characterized American life. In the long run, these are problems of maintaining stability and balance in an atmosphere of growth and change, where no central authority imposes all the answers and gives all the orders. In meeting this challenge lie the responsibilities, the opportunities and the rewards of freedom.

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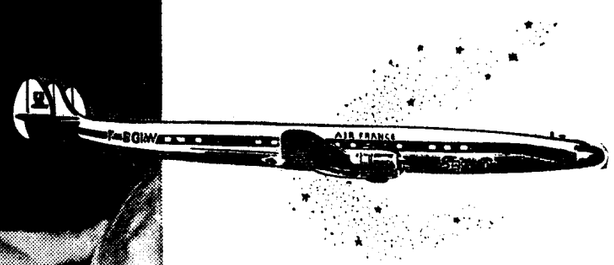
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Special Articles

INDUSTRY IN BLACK AFRICA

FOR the last 200 years, in one part or another of the globe the Industrial Revolution has been making a new beginning. We do not mean an industrial revolution in the sense that term is abusively applied to every major technological innovation, be it atomic power or electronics; we mean it in the original sense: the first move away from a purely agricultural and handicrafts economy toward large-scale production in powered factories. In this sense of the term, India and many other parts of Asia knew the first impact of the Industrial Revolution very many decades ago, and the changes now in train there are mostly an intensification and extension of that process. In Black Africa, on the other hand, industrialisation is at this moment in its veriest infancy — yet it is beginning with projects of a size that dwarf corresponding industries in Europe or North America. Each time it makes a new start, the Industrial Revolution is a new thing, for the newcomer chimes in at the existing level of technology elsewhere. Thus darkest Africa is beginning not with coal, canals and railways but with electricity, aluminium, telepherics and pipelines. The scope of these changes will emerge from a rapid survey of industrialisation now under way in those parts of tropical Africa that used to constitute French colonies but which are now making measured progress toward autonomy.

The limited variety of resources, the virtual absence of domestic demand for industrial consumer goods and the total lack of a native bourgeoisie combine to give African industrialisation some curious features. But it is nothing new that industrialisation should be brought to a region entirely by outside initiative and capital, should be limited to a small number of products and designed for the needs of international markets. What is more distinctive in Africa's industrialisation is that it occurs at a time when industry in general is migrating toward its sources of supply, so that a backward country becomes not just a source of raw materials but a place where those materials can be processed. But above all, it is the shift to electric, from coal, power that dictates the large scale and modern conception of French tropical Africa's first essays in industrialisation. The upshot is the planning from Paris (though drawing on multi-national capital) of a number of substantial industrial ensembles dotted about that vague region that was marked green on our school atlases.

French Guinea. In this region, on the Konkoure River, will be situated one of the biggest of African industries: a combined barrage, hydro-electric station and aluminium factory financed by French, German, Swiss and Italian capital. The barrage, at Kaleta, will be 100 metres high and 1,200 metres long, forming a reservoir of 5,000 million cubic metres. At the base of the barrage, 40 metres underground, will be built the power house which will generate 2,000 million kwh annually. Two lines of 220,000 volts will carry power 50 miles away to the bauxite fields at Kindia where the aluminium factory will produce, in the first phase, one million tons of aluminium. Power will also be supplied to another aluminium plant at Boke, formed by a French firm and Alcan, of Canada.

Gabun and Middle Congo. The electric power that will permit exploitation of this region's mineral deposits will come from a 100-metre high barrage on the Kouilou River. Attached to the dam will be a power plant producing 7,000 million kwh annually and supplying current to another gigantic aluminium factory on the coast. Tropical Africa is betting heavily on this metal, of which world consumption doubles every 10 years. But the region also has manganese deposits estimated at 150 million tons, of a content of 48-50 per cent, making them the second richest in the world. A company in which American and French capital are combined, Comilog, will exploit these mines and transport the metal 50 miles by telepheric to a railhead; the preliminary surveys are now complete. The barrage will also serve to open up the territory to navigation, will irrigate country producing vegetable oils and will permit industrialisation in the coastal towns.

Cameroons. Aluminium has already begun to be produced here, the first ingots being cast a few weeks ago. A barrage has been built on the Sanaga River, serving a hydro-electric plant that generates 1,300 million kwh a year. This power is supplied to an aluminium plant that will be producing 45,000 tons annually by 1959.

French Somaliland. This desert region opposite Aden has been found to be exceptionally rich in magnesium chloride. Conveniently, it also has a lake, Lake Assal, six miles from the sea and 500 feet higher than sea-level. This difference in levels will be exploited by a power plant that will then permit development of the magnesium chloride deposits.

Madagascar. This island contains one of Africa's rare coalfields, situated along the Onilahy River, in the south-west. Confirmed resources approach 40 million tons, which are to be exploited at the rate of 2 million tons a year. The coal is not of a quality to permit steel-making without further treatment, and may either be used in thermal power stations at La Rochelle or transported to France, where it can be landed cheaper than equivalent coal from the USA or the Ruhr.

Senegal and Mauritania: A barrage on the Senegal River will produce 2,000 million kwh annually as well as irrigating the fertile Senegal Valley. The power will be used in the treatment of copper at Akoujt and of iron ore deposits at Fort-Gouraud.

The existing industrial base on to which these substantial enterprises are to be grafted is exiguous, especially outside the favoured regions of Senegal, Cameroons and the Ivory Coast. It can be summarised in these few and scattered industries: groundnut oil in Senegal, sugar and rice in Madagascar and Middle Congo, leather and meat in Chad and the Cameroons, cocoa and coffee in the Ivory Coast, a very big frozen fish industry along the coasts of Senegal and Mauritania, cement in Senegal and textile factories in Dakar, Brazzaville and Bouali. These few exceptions to the tribal and agricultural economy of the continent do not generate sufficient capital to contribute notably to the ambitious ventures listed above. Nor is there available sufficient skilled manpower, French technical education centres having had disappointing results to date. The want of native initiative and economic enterprise has already been referred to. Plainly, in these circumstances, most of the enterprise has to come from Paris and this gives the birth of capitalism in tropical Africa an unusually administrative and planned character. But this has its advantages in that the French four-year plans are framed for balanced regional development, such as is only possible when industrialisation begins in truly virgin territory. Each region sees the simultaneous growth of mining, electric power, transport,

basic industry, consumer goods production and education.

But if Paris can supply the plans, it cannot supply all the capital and it is because of this that the French have been so anxious to obtain general European co-operation by including these territories within the Common Market scheme. The response from the West Germans has been encouraging, especially since French colonial policy in Black Africa, by contrast with the sorry mess in North Africa, is enlightened and has the consent of the native populations. However, a curious development since the Suez war has been the wish to "keep the Americans out" by limiting the sources of capital and technical help to the Continental area to be covered by the Common Market. This is much more marked as regards the oil deposits of the Sahara Desert which are France's main hope in her African possessions but which are not referred to in this survey which is limited to Black Africa; French public opinion is as sensitive to the political implications of American participation in this work as could be the xenophobe peoples of the Middle East and Latin America. This coldness is even extended to Canadian participation in the big aluminium projects, to which Italian and other West European help is preferred. It remains to be seen whether this exclusiveness is justified in a great work which consists essentially in exchanging French imperial domination (and inactivity) in Black Africa for gradual political autonomy combined with large-scale multinational industrial investment.

ENERGY, INDIA AND OIL—II

(CONTRIBUTED)

IN the long run the basic fact will remain that India is not blessed with really great resources of hydro power, particularly in relation to her population, and therefore the study of the economics of utilisation should be most scrupulous and far-sighted.

The targets for expansion of coal raising are well-known, but it is more than evident that India will be no exception to the rates of growth of the demand for oil that have been forecast for the rest of the world outside the U.S.A. and the U.S.S.R.

Indeed quite moderate but careful estimation would show that the increased demand in India for oil may be such that demand will increase three times in the next 12 to 15 years to about 15 million tons, and again this may prove to be a cautious estimate.

One method of checking these rather startling conclusions is to establish the projected annual increases in the national demand for commercial energy, and establish with exactitude the contribution that can be expected from hydro power and coal supplies. The former should be relatively easy as the completion dates of the projects are known well in advance and it should not prove impossible to establish realistic probabilities for coal production.

The balance, by deduction, must be supplied by oil unless there is to be a failure in certain sectors of the national effort. This is an entirely legitimate method which is now in wide use and does, in the process, pay recognition to the fact that oil and the oil industry has proved capable of the flexibility necessary to meet virtually any increase in demand, no matter how unusual. It also recognises that oil by its nature and ability to be processed to controlled products for particular purposes possesses an unusually high factor of substitutability with other sources, greater in fact than any of the other forms of commercial energy.

It is the difficulty of establishing the true demand for energy in India, and the inter-relationship between supply and demand on the vast domestic fuel sector, that points the need for scientific study on a large scale. If the growth of total energy demand has been underestimated then the effect on the growth of the balancing supply item, oil, is very much greater and the demand for oil would increase even faster than postulated above. In any event increases in the demand for oil of the magnitude foreseen will demand organisation of a high order for those engaged in making the long term arrangements to provide supplies.

The oil industry should be quite capable of meeting the great expansion of world-wide demand that is probable — and it clearly represents the biggest industrial expansion of its kind the world has yet seen — if the conditions are right. It must of course remain virile, competitive and healthy, and it also must make reasonable profits; adequately large enough to plough back earnings for expanding capital commitments.

In the world excluding the U.S.A. and the U.S.S.R. these commitments in the next ten years are likely to total the equivalent of some Rs. 20,000 crores in many currencies.

This compares with the equivalent of about Rs. 9,000 crores in the previous ten years.

Many things have changed in recent years for both internal and international financing, and this question of ploughing back earnings has become an important feature of modern industry, as the pace of big industry continues to outgrow the capital market of the world.

There are now only too many instances of the serious difficulties that arise in particular industries in countries where the ability to generate finance for expansion for one cause or another has been curtailed. The steel industry is a notable example and as a case in point the predicament of the U.K. steel industry is worth study.

Vast as the capital requirements of the oil industry may be, they would be far greater if full recourse to every new advance in technology was not energetically pursued. For example the technical advance which permits the construction of tankers of giant size has been put to practical use with great speed. Out of the orders placed for new ships no less than 300 of these vessels will be too large to transit loaded through the Suez Canal in its present form. Quite a number of these vessels will be around 80,000 deadweight tons and there will be some in excess of 100,000 tons.

Generally speaking the economies of scale in the bulk movement of oil have restrained the pressures on costs arising from other causes. On the other hand, the cost of finding and producing oil is increasing with rising equipment costs and the fact that the search has to proceed deeper and further afield. It is, however, reasonably apparent that these costs may not rise at a rate comparable with the costs of mining new resources of coal.

Out of the pattern of investment of the industry one important point emerges and that is the cost of exploration, drilling and production facilities exceeds the cost of all the rest of the industry's commitments put together — the refineries, tankers, pipelines, marketing facilities, etc.

This outlay on production has very important implications for India in the context of the possible increases in her demand for oil, bearing in mind that this oil is a necessity without which economic expansion slows down.

The prospects of developing oil in new areas involve two kinds of risk. The physical risk—that of spending much money and finding no oil, and the commercial risk — that of not gaining a sound and viable operation.

Looking at the financial risk the costs can be very considerable; there are numerous cases where large sums have been expended in search in new territories for years without success. But even where success is eventually achieved the costs continue at a very high rate. An example of this is Canada where large sums were expended for many years with virtually no success. Since success was achieved $1,500 million have been expended since 1946 in oil development and yet this has so far resulted in a current production that is considerably less than that of Kuwait. The very large production and reserves of oil that have been discovered in the Persian Gulf area naturally influence the viewpoint of enterprises which may be considering participating in the search for oil in contiguous areas. It is self-evident that to any commercial enterprise the situation would be considered marginal where the prospects are distinctly speculative and the terms noticeably less advantageous.

But if the climate is right the inflow of capital produces remarkable results of which the recent case history of Canada is an excellent example. Canada has been running a current account deficit which has been widening rapidly. In 1956 it jumped from $800 million to $1,400 million and indications are that the gap is continuing to widen. And yet the Canadian dollar, one of the few currencies that are allowed to "float", is steadily appreciating in terms of other leading currencies.

This apparent anomaly is accounted for by the fact that foreign money, in the form of capital and investment money, is moving in so fast that it is covering the current account deficit and still leaving a surplus for reinvestment abroad and additions to the reserves. An important element in the inflow of capital is that on the Oil Industry Development account.

India's appetite for oil is such that the sheer risk capital and effort that must be devoted to search and development, perhaps for years, presents a very heavy load for which the alternative is external oil purchases to an extent which the exchange reserves are unlikely to stand.

The efforts that are being exerted by the Government and others to discover oil in the country are admirable indeed, but the problem is evidently growing to such a magnitude that it may well be in the country's interest to attract the maximum amount of external assistance if serious strain on the economy is to be avoided.

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INDUSTRIAL FINANCE: LESSON FROM EUROPE

TWO Bills recently passed by Parliament to amend the Reserve Bank and State Bank Acts can be said to have more than ordinary significance. Not only have they brought into focus the entire problem of industrial finance, but, what is more, they also seem to be the precursor of some major reforms in banking in the offing. A hint to this effect was given by the Finance Minister while speaking on his bills in the Lok Sabha. He observed that it was his intention to make the Reserve Bank "the supreme adviser to Government in all matters of money, credit and banking" and also to enlarge the functions of the State Bank by transferring to it some of the functions of the Reserve Bank which are in the nature of "pure commercial or co-operative banking". It may be that it is Government's intention that a rationalised credit structure should soon be evolved to cope with the needs of an expanding economy. If that were so, there is nothing to cavil at.

However, the problem immediately posed is with regard to industrial finance. The Reserve Bank and the State Bank Acts have been amended as a prelude to providing an institutional set-up that will make available medium-term finance to the private sector of the industry. This has been considered necessary because Government have felt that the Industrial Finance Corporation, the Industrial Credit and Investment Corporation and the State Financial Corporations have not been of much avail in this regard. Thus the constitution of the Refinance Corporation will be followed by other institutions (to the capital of which the Reserve Bank will contribute) to meet the increasing demands in the field of industrial finance. Here the Government seems to have taken the cue from certain recent trends in Europe and the valuable report of the Productive Agency of the O.E.E.C. (Organisation for European Economic Co-operation) might have provided some inspiration.

A significant development in banking in the post-war period in many countries on the continent has been the rather active association of banks with industry. The O.E.E.C. Report says "It would be no overstatement to say that the banking systems are fairly generally expected to do more for financing the capital formation of industry than orthodox views on deposit banking would allow". In view of this it goes on to say "It might be advisable to concentrate on devising newer techniques for the problems involved than to go on fighting a rearguard action against the trend of developments". It is true that Indian banks are essentially commercial banks supplying short-term capital to trade and industry and they do not have the tradition of mixed banking, that is, also supplying long-term capital requirements. This has been largely the result of emulating the practice of British banks. But recently commercial banks here also have become involved in medium or long-term industrial finance. For example, they have been indirectly supplying long-term capital to industry by subscribing to the share capital of the Industrial Finance Corporation and the Industrial Credit and Investment Corporation. A few banks, it may also be mentioned, have been directly underwriting new issues on a small scale. Further, with the nationalisation of insurance and the stepping up of the taxation rates, banks have been indirectly forced to play an increasing role in financing industrialisation.

However, opinion in this country has not crystallised over the exact role of commercial banks vis-a-vis industry. For example, the Shroff Committee, which examined the problem of credit supply to the industrial sector, discountenanced suggestions that commercial banks should play a more active role in regard to the supply of industrial finance. On the other hand, it suggested a number of new organisational arrangements through which more credit could be made available to the private sector. The establishment of the National Industrial Development Corporation and the Industrial Investment and Credit Corporation seems to be a logical corollary to this suggestion.

While analysing the trends in industrial finance in Europe the O.E.E.C. report pertinently observes that any extensive development that would make commercial banks use part of their deposits for long-term loans to industry would "in effect be reversing the continental banking reforms of the 1930's." Perhaps the report is more impressed with the developments in Britain where in the system obtaining there, there is little scope for long-term lending to industry. It observes, "Apart from the reluctance on grounds of policy to tying up reserves and taking risks incompatible with their responsibilities to the depositors, the joint stock banks are not technically organised for providing long-term finance to industry". Therefore the report has no hesitation in suggesting that "a safer and convenient method of using the commercial banks' resources to the proposed end is to form specialised technically well-equipped institutions whose share capital is jointly held by banks and to supply them with sufficient loan capital for long-term investment." It goes on to emphasise that "the loan capital provided should be really earmarked for long-term lending and not withdrawable whenever the shareholding banks have liquidity troubles".

This recommendation that specialised institutions are necessary for supplying medium or long-term finance seems to have found favour with the Government of India. The formation of the Refinance Corporation and the Finance Minister's statement that other new agencies will be started to meet the needs of the industry stem from the acceptance of this suggestion. But doubts have been expressed in certain quarters that the constitution of the Refinance Corporation more or less as a department of the Reserve Bank indicates signs of direct participation by banks in industrial finance. The O.E.E.C. report seems to take exception to this kind of development. In fact it goes to the extent of suggesting that even the specialised institutions should not depend on bank advance at all. It says, "A technically safer solution is for any such institutions to raise their operating funds by issue of bonds and debentures instead of relying on bank advances".

The report examines the position in Great Britain and points out that the I.C.F.C. (Industrial and Commercial Finance Corporation) and the F.C.I. (Finance Corporation for Industry) offer significant examples of a method whereby a part of the commercial banks' resources can be harnessed to long-term lending through agencies technically equipped for this specialised work and able to devote their full attention to doing it consistently. Even here it suggests "On a long view of the prospects of this relatively new departure in industrial financing it may be in the best interests of all concerned that the loan capital used by such institutions should not be dependent upon bank advances. It could be raised by issue and sale to the capital market of

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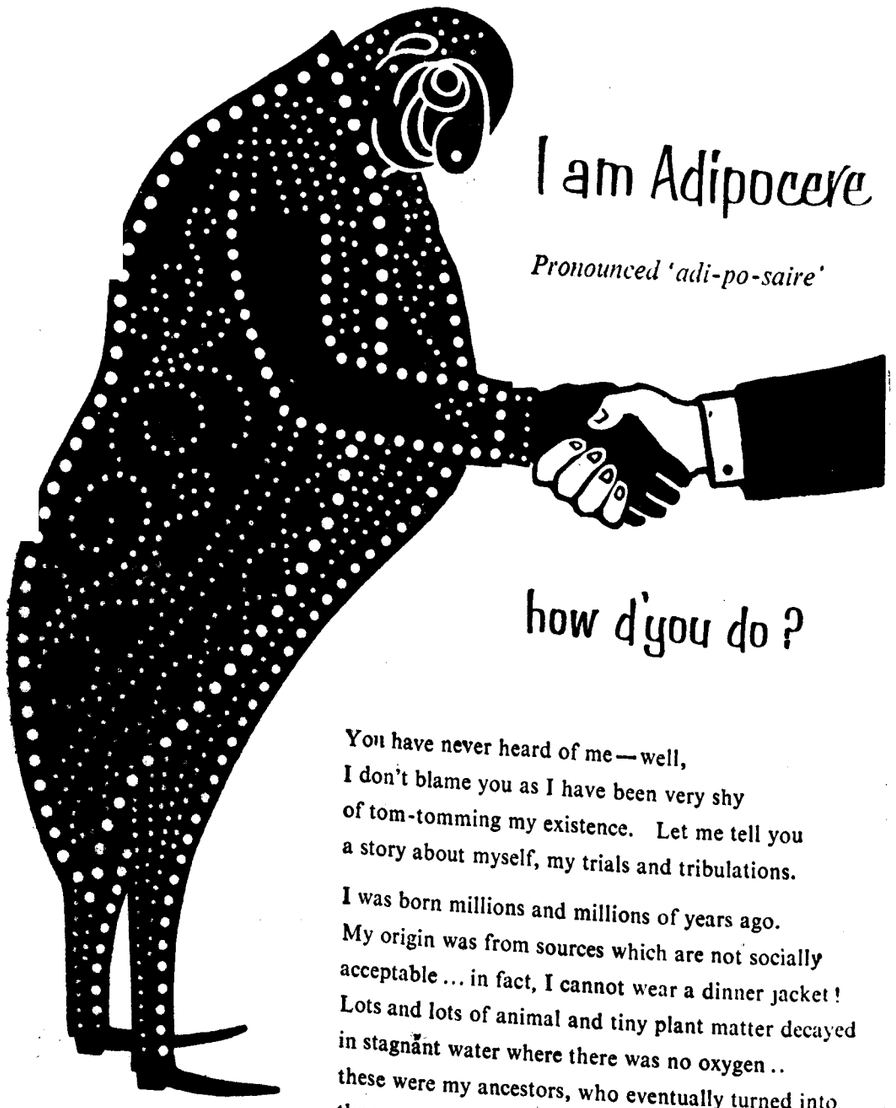
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how d'you do?

You have never heard of me—well,
I don't blame you as I have been very shy
of tom-tomming my existence. Let me tell you
a story about myself, my trials and tribulations.

I was born millions and millions of years ago.
My origin was from sources which are not socially
acceptable ... in fact, I cannot wear a dinner jacket!
Lots and lots of animal and tiny plant matter decayed
in stagnant water where there was no oxygen ..
these were my ancestors, who eventually turned into
the waxy residium that I am—ADIPOCERE.
I have no ancestral wealth, and I could never own a
castle—but I am fabulously rich in fatty acids,
and I don't think you could do without me.
I am flabby, shapeless and ungainly—
all the same I am quite happy.

That's me—ADIPOCERE, the ancestor
of that Prime Mover—Oil.

STANVAC—*the name that stands for progress*

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PSSVOC. 43/57

bonds and debentures. Bank advances would then be used more appropriately to meet marginal fluctuations in requirements and to provide temporary finance between bond issues".

Although it is possible that as in other fields there is considerable scope for innovations in the field of credit also, the suggestions in the O.E.E.C. report are certainly worth study. However one thing needs reiteration. The problem of finance and credit arises on account of a deficiency of overall availability of resources as well as an inadequacy in organisational arrangements in regard to mobilisation. There is no use emphasising the latter to the exclusion of the former. The basic problem still remains that of more saving without which more investment is not possible.

EXPORT TRADE PROMOTION

(CONTRIBUTED)

THE need of the hour in India is to find more and more money to finance an ambitious plan. If the heavy taxation measures of the recent Central Budget are one means of finding the wherewithal, another orthodox means lies in stimulation of exports. The questions that immediately strike us are: What are our export potentialities in regard to commodities? What is the volume of export surplus available? What is the level of internal consumption? In all these cases, unfortunately the answers are negative to varying degrees. In the first place, limitations are imposed by the basically agrarian character of the country's economy and, secondly, the apparent neglect in developing a new series of export industries which may act as our second line of defence. Admittedly the industrial pace has not been rapid enough. Therefore at the moment our foreign exchange earners are to be drawn from the traditional list of agricultural commodities and semi-manufactures and these are few. To this can be added the products of the cottage industry, but here also a saturation point has already been reached in productivity.

To begin with production, two requirements are at once obvious—increase in volume and improvement in quality, with austerity in consumption, where warranted. In this connection, incentives might step up production, such as grant of State subsidies in the shape of cash or certificates, provision of technical know-how and offer of materials at cheaper rates than their current selling prices, to equalise the competitive advantage enjoyed by foreign manufactures. A distinction might be made between the materials used in the manufacture of articles for export and those for home consumption. As the quality of the finished product depends on the quality of the materials used, machinery installed and methods employed, modernisation and rationalisation of these is immediately desirable.

Quality can only be ensured through a regimented standardisation of methods from production to marketing stage. At present, the work and functions of standardisation in India are well looked after by the Indian Standards Institution, but it has been observed that many of its standards tend to be too general and as such touch only the fringe of the problem. The real problem is that no standardised machinery has been devised to enforce the standards. The Indian Standards Institution has evolved an impressive standard for packaging of textiles for export, but experience shows that complaints are still made on packages, which could be avoided to a certain extent by instituting a system of affixing stamps on every exported bale or package that the package conforms to the official standards. To check whether questionable use of the stamp is made, test checks of bales should be undertaken. It appears that a scheme of certification marking is in operation in Mysore under which druggets made according to the ISI on the subject are only allowed to be exported. The principles of this scheme might be extended and applied suitably to cover many items of our exports.

There is need for organising immediately a Central Export Trade Board composed of representatives of trade and industry and the Government, with headquarters in New Dlehi and branches in four main centres. As a matter of fact, there are in existence several committees and councils and boards, such as the export trade promotion councils for various commodities, the Coir Board, Handloom Board, etc., but due to their large and increasing number, they only tend to duplicate matters. Even the constitution of a new Foreign Trade Board announced by the Minister for Commerce and Industry in his recent address to the Export Advisory Council is not a solution as it will only group the existing personnel into a different mould with an enlarged secretariat. On the other hand the constitution of a Central Export Trade Board would help in the execution of policies in close conjunction with trade. If it is endowed with the necessary powers and functions directly under the Minister of Commerce and Industry, it could take the responsibility for the entire management of exports and all the existing councils and boards would become unnecessary. Its immediate task should be to prepare a list of exporters and this list might be enlarged from time to time to enable a wider section of business to participate in export trade. Overseas importers should be asked to deal with only the exporters who have been included in the list through the Central Export Trade Board. On receipt of an enquiry, the Board should select an exporter, according to the magnitude of the contract and the ability of the exporter to undertake the transaction, from the list of exporters for dealing with it. The marketing of dairy products by the Dairy Products Marketing Commission in New Zealand operates on this principle to great advantage. To ensure equality of opportunity, a system of rotation and division of exporters on a destinational basis might be employed, while selecting exporters to work out export contracts.

The next task of the proposed Central Export Trade Board should be to set up a nucleus of research organisations such as a design school, council of fashion and idea scouts, colour council and advertising council. The design school, composed of members of the manufacturing industry, should conduct research in designs, train designers, collect and collate design data and its recommendations should govern all design activity. The idea scouts should similarly engage in the research of new ideas, fashions and trends for incorporation in production. As a further aid to manufacturing industry, a museum might be opened, where samples of articles from different manufacturing centres of the world are exhibited to focus production trends. The organisation of a colour council preferably on the lines of the one in the United Kingdom should take care of another fundamental aspect of manufacture.

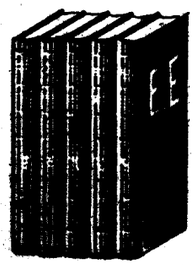
Complementary to these research organisations, which are mainly designed to improve production, should be an organisation to conduct regularly market

research and analysis. It should be recognised that different markets need different goods and different techniques to exploit the demand. Consumer research and product research, conducted systematically by actual salesmen in the consuming centres, are essential. The functions of such field market analysts are now performed by the Trade Commissioners who are not quite experienced in this field. The present method of selecting Trade Commissioners from the restricted field of the Indian Foreign Service personnel or from the Ministry of Commerce and Industry should be replaced by forming a new service called Foreign Trade Service manned by persons with a minimum period of 10 years' experience in trade and industry. The staff also should be drawn from the field of trade and industry.

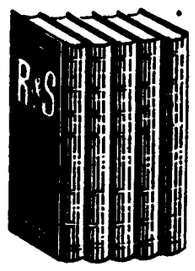
Competitive prices, appointment of agents and sole distributors abroad, improved salesmanship methods, extension of sight draft facilities as opposed to irrevocable letters of credit, removal of double taxation, prompt payment of commissions are all methods that can be adopted to boost exports. Competitive prices can be ensured by the removal of all export duties and cess, inter-State taxes, sales tax and other charges which raise the source price. The manner in which our trade samples are presented confirms lack of salesmanship and it is time that minimum standards for trade samples were prescribed. Publicity and propaganda are also necessary for high quality salesmanship. A central advertising organisation for export, functioning under the proposed Central Export Trade Board, may be formed on a national level, to assist and advise the trade in regard to advertisement either in the national or international press. The next step would be to publish attractive handbooks well illustrated and incorporating all information on the commodity concerned which may act as a buyer's guide. To cover day-to-day trends, a monthly journal should be brought out on the lines of "Czechoslavakian Foreign Trade", "German Export", "Rumanain Foreign Trade", and "Hungarian Foreign Trade". In the sphere of visual publicity, exhibitions, fairs and displays are no doubt an effective media, but only when properly laid out. Another method of salesmanship that should be employed in a greater measure is by the use of trade brands and marks, fixing of labels and stamps and directions for use. Branded goods not only signify quality but increase sales and turnover.

Of the various factors hampering expansion of our exports the most serious is the unethical business methods resulting in trade disputes. The most common complaint is that the goods exported never conform to the sample on the basis of which the contract is entered into. Secondly, attention is not paid to the instructions and wishes of the overseas importer. Thirdly commissions are not promptly paid and fourthly, the settlement of the trade dispute is delayed. A preventive step would be to establish a court of arbitration or a tribunal, as an integral part of the proposed Central Export Trade Board, armed with full judicial powers to deal with any defaulter punitively. Every export contract should stipulate that any disputes arising in the performance of the contract would be governed by the rulings of this court. The format of the contract itself should be standardised. In so far as the foreign importer is concerned, this would ensure that in future he would have recourse to a high tribunal.

We are on the threshold of great changes where conservatism and doctrinaire approaches are powerless to deal with situations. There is no reason why some boldness and imaginativeness should not be brought to bear in the promotion of our export trade.



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BUSINESS NOTES

COAL AND THE PLAN

RECENT DISCUSSIONS in Parliament over the Coal-Bearing Areas (Acquisition and Development) Bill served to focus attention once again on Government's policy over the coal industry. The bill, which has been passed by both houses of Parliament, arms the Government with powers to establish greater public control over the coal mining industry and its development. There is nothing to cavil at this, provided Government has a definite policy that can deliver the goods since pious hopes alone can lead the country nowhere. Now what are the facts about this industry which the Finance Minister has significantly included in the hard 'core' which he is determined to implement at all costs? The target of coal production by the end of the second Plan has been raised to 60 million tons per annum from the existing production of 38 million tons and out of this increase of 22 million tons, the public sector has been assigned 12 million tons while the private sector has been given the balance of 10 million tons. The division of the target between the private and public sectors has apparently been based on the consideration that the Industrial Policy Resolution of 1956 places coal in schedule A which means that all new units in this industry, save where their establishment in the private sector has already been approved, will be set up only by the State.

But if past performance were to be any guide, there are enough reasons to hold that the Government is trying to bite more than it can chew. So much so, an ardent advocate of nationalisation like Mr. R. P. Sinha was forced to utter some home truths in the Rajya Sabha during the discussions on the Bill which should make Government shed some of its complacency. The fact was, he reminded, that the achievement of the public sector during the first Five-Year Plan was not very creditable. Out of 38 million tons, the production from the public sector was only 4 million tons while the balance came from the private sector. Further, the monies that were allotted to the public sector were not fully utilised by them. They were allotted about Rs. 110.95 lakhs against which they could only utilise to the tune of Rs. 38.66 lakhs during the first four years of the Plan. The surveys of areas where coal production could be developed could not be completed and the monies that were allotted for surveys were not utilised. In the face of these, there was no wonder that he should have asked Government to place all the cards on the table and frankly tell the country how they proposed to fulfil the additional 12 million tons which had been allotted to the public sector in the light of the progress that had been made so far and what areas they proposed to work in the public sector. It would appear, Mr. Sinha said, that Government had made tentative allotments with regard to six million tons but no decisions had been taken with regard to the rest of the six millions, though the first year of the second Plan had already gone.

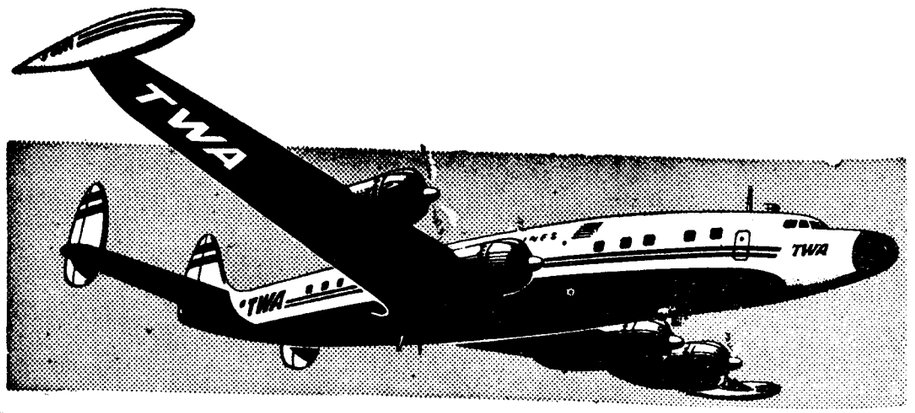
It would, therefore, be hardly surprising if genuine doubts are entertained about the Government's capacity to fulfil the targets under the Plan. The path of wisdom will be that instead of being doctrinaire, all energies must be bent on developing this national asset, so important for industrial development, at its optimum efficiency by all available means instead of indulging in futile controversy as to targets of production between the public and private sectors. It is with this end in view that Mr. Sinha uttered a warning that "if the Damocles' sword is hanging over the head of the private sector that the coal industry is going to be nationalised, it will have neither the mind nor the incentive to invest money and go ahead". The fact is that the responsibility of the private sector under the second Plan is very great since it has to fulfil about 75 per cent of the total requirements under the Plan, and it will be a short sighted policy to hamper its progress on dogmatic grounds which will only end in killing the goose that lays the golden eggs.

In the ultimate analysis, the country's interests are paramount and if the public sector cannot fulfil the target, then the private sector must be enabled to do it. Thus any discrimination against the private sector will be injurious to national interest and Government should see to it that it uses the powers in its hands with care and with the larger end in view. There are various ways of helping the private sector. Mr. Sinha, for example, suggested that the contiguous areas that have to be worked by private collieries should not be taken up by the Government. This is indeed only fair. Government should also extend all reasonable facilities in the matter of transport and in meeting shortage in materials like iron, steel, cement and machinery. Above all, the time has come for the revision of coal prices which will be fair and at the same time help the expansion of the industry by facilitating capital investment. This would also avoid wastage in mining and encourage efficiency in utilisation.

CO-OPERATIVE MOVEMENT IN INDIA

THE STATISTICAL statements, just released by the Reserve Bank of India, on the progress of the co-operative movement in 1955-56 highlight the considerable expansion that has taken place during the year. There has not been only an advance in agricultural credit societies, but there has been a significant expansion in non-credit structure too. The number of Central non-credit societies increased from 2,599 to 2,764 and their membership from 1.8 million to 1.9 million. At the primary level non-credit societies in both agricultural and non-agricultural sectors recorded a general rise in their number, membership and business. The number of State non-credit societies went up by 22 to 82 and their business almost doubled. Again, primary non-agricultural, non-credit societies retained their position and showed profits of as much as Rs. 71.51 lakhs in 1955-56 as against a loss of Rs. 89.53 lakhs in 1954-55. The profits of the State and Central and non-credit societies went up from Rs. 49.23 lakhs to Rs. 123.63 lakhs. Agricultural credit societies numbering 159.939, however, recorded a larger increase compared with other types of societies and represented numerically the most important single class of co-operative institutions, forming 67.6 per cent of the primary societies and 80.5 per cent of the primary agricultural societies. Assuming that an average family consists of five persons, it may be estimated that 22.8 per cent of the population has been brought into the co-operative fold as against 21 per cent at the end of the preceding year.

Although not stupendous, this may be deemed fairly satisfactory achievement. The disparity in the development as between agricultural credit societies and non-credit societies is, of course, understandable as such a trend is inevitable in a country which is predominantly agricultural and where lack of credit facilities for cultivators has for long been considered hopelessly inadequate. While giving credit to the movement it has to be stressed that the emphasis should be not merely on quantitative expansion, but on qualitative development as well.



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COMPANY AFFAIRS

THE NEW INDIA ASSURANCE CO. LTD.

The annual report of the New India Assurance Co., Ltd., for the year 1956 is the first report of the Company which does not incorporate the accounts of the life branch, thanks to the Life Insurance Corporation Act, 1956, and the consequent transfer of the life business and the life departments' assets and liabilities to the Corporation. Although the taking over of the life business has meant a considerable curtailment in the activities, and that too in one of the most paying branches of the company, it is gratifying to find that New India was able to maintain the rate of its growth. This is doubtless because the New India was not only practically the first Indian enterprise in the field of General Insurance but also the first company to attain an eminent status outside India. As a result of this tradition and wide experience the company's business has gone on expanding all the time. It is noteworthy that, despite a downward revisions in rates of premiums in both 1955 and 1956 and the nationalisation of its life assurance business, which had the effect of completely disrupting and disorganising the company's administrative set up, New India registered further progress in the year 1956. The Premium income of the company, amounting to Rs. 564 lakhs represented an advance of Rs. 66.3 lakhs over that of the preceding year. While all the three departments contributed towards this improvement, the major share of the credit must go to the miscellaneous department, which recorded an increase of Rs. 35 lakhs. The increases in both fire and marine businesses were of the order of Rs. 15 lakhs in each case.

It is not only in regard to increase in business but in regard to commission and expense of management percentage as well that the miscellaneous department scored over the other two departments. Thus, as against 43 per cent, 22.3 per cent and 35.3 per cent in fire, marine and miscellaneous departments in 1955, the percentages of commission and expenses of management in 1956 were 44.8, 24.2 and 33.3, respectively. But the claims experience of the miscellaneous department was not as satisfactory as that of the fire and the marine departments. Whereas in the latter departments, the percentage of claims ratio was either the same or only slightly higher, that is by just one point, that in respect of the miscellaneous department increased by 3.4 per cent in 1956.

As regards the contribution to the earnings of the Company during the year under review, the share of the fire department was the largest, having gone up from Rs. 43.1 lakhs in 1955 to Rs. 47.7 lakhs. Indeed, it is this department which accounted for the bulk of the credit to the profit and loss account the exact figure being Rs. 46.1 lakhs. The miscellaneous department accounted for a credit to the Profit and Loss account of Rs. 4.1 lakhs, whereon the marine department actually showed a deficit of Rs. 5.3 lakhs, after the required transfer from additional reserves to maintain the Reserve Unexpired Risks, at hundred per cent. In the result, the total profits from all departments transferred to the Profit and Loss account aggregated Rs. 44.8 lakhs, that is an improvement of nearly Rs. 7 lakhs over the previous year. It must be noted here that, unlike in 1955, there was no credit from Shareholder's Life Profit account in 1956. The only other important source of income was from investments, which amounted to Rs. 9.2 lakhs. The net result was that the total amount available was Rs. 54.4 lakhs, as against Rs. 55.3 lakhs in 1955. After providing for taxation to the extent of Rs. 12.6 lakhs, there was left a balance for appropriation a sum of Rs. 41.8 lakhs. The various appropriations recommended by the board of directors, including Rs. 13 lakhs for investments reserves and Rs. 21.4 lakhs for the slightly increased dividend at the rate of Rs. 3 per share, left a balance of Rs. 1.4 lakhs to be carried forward, as against a little over Rs. 1 lakh brought in. In passing, it may be mentioned that, although the amount to be distributed as dividend to the Shareholders shows an increase from Rs. 17.8 lakhs in the previous year to Rs. 21.4 lakhs, the latter amount is more than covered by the total interest earnings which improved to Rs. 23.9 lakhs in 1956.

The total funds of the Company here further augmented as a result of the year's operatons and, at Rs. 759.8 lakhs, they are higher by Rs. 52.9 lakhs over the previous year.

The progress of the Company for the last five years is summarised below:

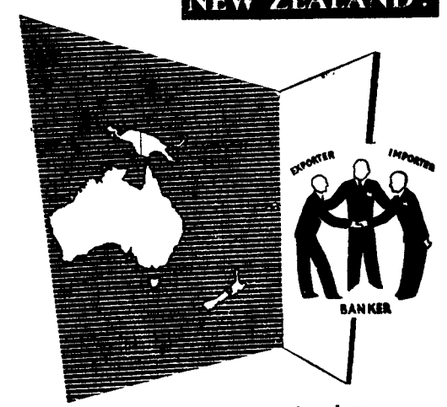
(In lakhs of Rupees)

	1956	1955	1954	1953	1952
Premium Income:					
Fire Department .	289.7	274.1	250.3	233.3	229.3
Marine Department .	130.0	114.5	100.7	84.0	91.1
Miscellaneous Dept. .	144.1	108.9	85.5	72.3	65.5
Total of all Depts. .	563.8	497.5	436.5	389.6	385.9
Funds:					
Fire Department .	188.0	181.0	168.0	159.0	155.0
Marine Department .	165.0	156.0	141.8	125.0	132.0
Miscellaneous Dept. .	92.0	74.0	62.0	55.0	51.0
Total of all Depts. .	445.0	411.0	371.8	339.0	336.0
Free Reserves:					
General Reserve . .	100.0	100.0	85.0	75.0	66.0
Premium on Shares .	36.2	36.2	36.2	36.2	36.2
Dividend Equalisation Reserve . .	22.0	20.0	20.0	17.0	16.0
Exchange Reserve .	5.0	5.0	9.9	11.1	11.1
Investment Reserve .	12.0	9.0	9.0	—	—
TOTAL . . .	175.2	170.2	160.1	139.3	129.3

As on December 31, 1956, besides the Free Reserves of Rs. 175 lakhs, Additional Reserves held in the Underwriting Departments amounted to Rs. 137 lakhs.

Under the Life Insurance Corporation Act, 1956, a sum of Rs. 48.7 lakhs and under the Life Insurance (Emergency Provisions) Act, 1956, a sum of Rs. 1.51 lakhs have been offered to the Company as Compensation. But the Company considers these amounts as inadequate in terms of the Acts and has, therefore, not accepted it.

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COMMODITY NEWS AND NOTES

INCREASED COAL OUTPUT DURING MARCH

Output as well as despatches of coal from pitheads in the country showed an increase in March 1957. During the month, according to information received from the Chief Inspector of Mines in India, production was 3,652,777 tons and despatches 3,248,899 tons. The figures for the previous month were 3,520,645 tons and 2,850,074 tons respectively. Coal stocks at pitheads at the end of March were 3,000,133 tons as compared with 3,033,961 tons at the beginning of the month. During the month, 833 collieries were reported to be working with an average daily employment of 360,572 workers. Output per man-shift was estimated at 1.13 tons for miners and loaders, 0.61 ton for all workers underground and in open-workings and 0.41 ton for all persons employed including surface workers. The percentage of absenteeism was 13.06. Nine coke plants at collieries and elsewhere produced 396,086 tons of hard, soft and other kinds of coke during the month, and despatched 228,253 tons.

TOBACCO ESTIMATE FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India second estimate of tobacco, 1956-57, puts the current year's area at 900,000 acres, as against the adjusted second estimate of 847,000 acres for 1955-56. This shows an increase of 53,000 acres or 6.3 per cent in area during the current year as compared to last year. The increase in area during the current year has been shared by Andhra Pradesh, Bombay, Bihar, Madras, Uttar Pradesh and Rajasthan and has been attributed generally to favourable climatic conditions at the time of sowing. The information given in this estimate generally relates to the period up to the end of February 1957. Till then, the condition of the crop was reported to be generally satisfactory. This estimate does not cover the entire area sown to tobacco crop during 1956-57. Past experience has shown that the area at the second estimate stage forms roughly 95 per cent of the area under the crop finally reported.

AGRICULTURAL PRODUCTION IN 1956-57 AND 1955-56

Replying to a written question by Shri Nawab Singh Chauhan, Shri A. P. Jain, Minister for Food and Agriculture, said in the Rajya Sabha that the total increase in the production of food grains (cereals and pulses) during 1956-57 over 1955-56 was likely to be over 1.4 million tons.

The Minister added that the final estimate of production of rice in India during 1956-57—the first year of the second Plan—showed an increase of 1.3 million tons over 1955-56. Provisional advance estimates for wheat, other cereals and pulses for 1956-57 indicated that the additional production will be over 1 lakh tons. The target of additional production of food grains, the Minister further stated, was fixed at 1 million tons for the grow more food schemes for 1956-57.

STANDARD FOR ANTIMONY

The Indian Standards Institution has circulated, for eliciting comments, a revised draft of the Indian standard specification for antimony (IS: 211-1950). The specification was first issued as a tentative standard in 1950. The main modifications made in this revision relate to the inclusion of limits for silver and tin in the chemical composition of the three grades of antimony covered in this specification. Comments on this draft standard may be sent before August 10 to the Indian Standards Institution, 19, University Road, Delhi-8 or its branch offices in Bombay and Calcutta.

PRODUCTION AND DESPATCHES OF INDIGENOUS SUGAR

The production and despatches of indigenous sugar amounted to 19.13 and 11.70 lakh tons up to May 15, 1957, in the current season, as against 17.28 and 9.77 lakh tons respectively in the corresponding period of the last year. The stocks with the factories on May 15, 1957, stood at 12.70 lakh tons, as compared with 12.61 lakh tons last year.

PRODUCTION OF MINERAL WOOL

A new process for the production of mineral wool has been developed at the Shri Ram Institute for Industrial Research, Delhi. The new process developed has been evolved with the aid of "press mud" from carbonation sugar factories—a waste material, the disposal of which entails considerable expense to sugar manufacturers. A sugar factory crushing 1,000 tons of cane, discards 10 tons of "press mud" daily and accumulates 1,200 tons in a working season of 120 days. Substantial quantities of mineral wool from "press mud" have been prepared at the pilot plant, and supplied to user industries. Know-how for the production of loose mineral wool on a large-scale has also been perfected. Parties desirous of undertaking the commercial development of the process are invited to correspond with Secretary, National Research Development Corporation of India, Mandi-House, Lytton Road, New Delhi-1.

COAL DEPOSITS IN GARO HILLS

The Union Minister for Steel, Mines and Fuel, Sardar Swaran Singh, said in Lok Sabha that considerable reserves of coal were estimated in Garo Hills in Assam, but these were yet to be proved by detailed prospecting. Replying to a question by Liladhar Kataki, the Minister said that drilling operations had been started by the Geological Survey of India to find out the potentiality of the coal deposits. The question of exploitation of the deposits could be considered after the results of drilling were known.

MINERAL DEPOSITS IN HIMACHAL PRADESH

Replying in the affirmative to a question by Shri Bahadur Singh whether Government contemplated taking up geological investigations in respect of mineral deposits in Himachal Pradesh, the Minister of Education and Scientific Research, stated in the Lok Sabha that Geological Survey of India had been carrying out investigations in the past and would continue to do so in future as part of their annual field programme. Replying to another part of the question, he said, the following minerals were reported to occur in the territory:

Asbestos, Beryl, Barytes, China Clay, Coal, Copper, Galena, Gold, Gypsum, Iron ore, Lead, Limestone, Magnetite, Mica, Pyrites, Salt, Slate and Sulphur.

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If you smoke, please note that you need not pay more on any brand of cigarettes other than those manufactured exclusively from Indian TOBACCO such as "Char Minar" or "Shah-i-Deccan." On these the effect of the rise is between ½ to 1 nP per packet of 10. 100 biris will cost only 1 nP more. The price of hukka tobacco should not in any case increase by more than 13 nP per lb.

For your MATCHES, do not pay more than 4 nP per box of 40 sticks and 6 nP per box of 60 sticks. This includes reasonable profit for trade as well as increase in duty.

A quire of Ordinary Writing PAPER (8 lbs.) should, if at all, cost only 1½ nP more.

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The Finance Minister

the Prime Minister absent abroad, it is ural that the spotlight, if only because of nomic crisis, should rest firmly on the Minister. Mr. T. T. Krishnamachari has himself responsive to the feeling widely the business community that he should at some length—and appropriately with rce of his strong personal equation—the ter of the rude economic changes which he itiated with the Budget and his proposed and monetary policy. During this week there have been long and, on the whole cordial, discussions at Calcutta with a group of business men drawn together by the Federation of Indian Chambers of Commerce and Industry. On Saturday and early next week Mr. Krishnamachari is meeting business men of Bombay who, perhaps, even more than the business men whom he met in Calcutta, believe themselves to have felt the rigour of his measures. It is difficult to say whether the Bombay atmosphere will be as favourable to the production of a good psychology as

was the Calcutta meeting. Broadly, it might be said, however, that a meeting can do no harm even if it fails to do any significant good.

Two views are possible in regard to the character of the psychological change which these meetings are to induce. The business community is in many minds at the present time. At one end is the somewhat inflexible group represented by the Forum of Free Enterprise. At another there is the group of extremely flexible business men, who believe that political power has passed entirely from the business community and all that is left for them is to accept with good grace any decisions of the representatives of a sovereign people, in which inevitably a radical element must reside. Betwixt and between, there are a number of business men who feel that they can come to terms with the people's political representatives even though a strong radical have-not element rests lower down. There is some foundation for this faith; for these political representatives need the business community as much at least as the business community needs the politicians. For if the politician gives the business man political stability, the business man by organising production gives the politician resources without which he cannot function. There exists, therefore, a basis for compromise. It is likely that the middle element which is ready to play with the Government but at the same time to make clear the limits within which co-operation is possible will command in time the largest section of the community. Whether this growing section will record more with the Finance Minister than any other is one of the questions which is currently being asked.

In making economic policy in the last twelve months the Finance Minister has been notoriously indifferent to the advice tendered to him by the business community. His last Budget has done violence to some of the elements of enterprise which the business community feels essential. In particular, the tax on wealth applied to companies has a direct disincentive effect on the expansion of business, the full significance of which the Finance Minister has been still unwilling to realise. In a sense the Finance Ninister in accommodating himself entirely to the strong political current initiated by the socialistic pattern of society has tended to lose touch with the business community. Nobody need pretend that the meetings in Calcutta this week and those proposed in Bombay next week have abolished the points of difference. The most one can expect is that they are narrowing down the issues on which fundamental differences exist, and inducing a sense of realism in the business community that what cannot be cured is not so terrible that it cannot be endured.

There were other happy indications. Broadly, one might say that the Finance Minister's discussion in Calcutta was helpful in indicating the limits to which additional taxation might go. He certainly gave the impression that the pattern of future taxation in the Plan will not differ substantially from that of the current Budget. What this precisely means in rates of taxes is still in question, but the range of new taxes is now happily restricted. That, in itself, is some consolation for those who have not been able to digest the rapid and novel ideas which have already marked the Finance Minister's short term of office.

The Finance Minister has also shown himself alive to the major problems at the present time particularly the severe stringency in the money market in respect of the provisions of working capital and even some fixed capital required by the private sector to implement its part of the Plan. He gave the assurance in Calcutta that it was the Government's intention that the private sector should perform fully its section of the Plan, and that Government's assistance, to the extent that it was possible, would be available for this purpose. Certainly private sector order books on the Plan items will be full, even if the Plan is cut substantially, as is now inevitable. It is also arguable that the Plan contains proposals for additional taxation which have not yet been exceeded by the Finance Minister; the business community cannot very well claim that he has sprung a surprise on them when the printed Plan contained provision for additional taxation of Rs. 800 crores which has been far from exceeded. In other words, the Finance Minister can claim consistency with the Plan, even though the measures which he has taken have rudely shaken the private sector. It is arguable that the private sector should have been in a more prepared mood for these onslaughts, which were underwritten by the country in the halcyon days before the Plan was seen in its hard exacting guise. The private sector has full order books and at least past acceptance of the volume of taxation to sustain its broken morale. The Finance Minister can claim now that he is only being as good or as bad as the written word.

When all is said and done the fact remains that the conversations at Calcutta and Bombay are not likely to reconcile the prevailing philosophy of the private sector and the socialistic pattern of society in which both the public and the private sectors are supposed to operate. If the private sector believes that substantial concessions will be made by the Central Government as at present constituted, it is living on false hopes. If, on the other hand, it should choose—and for this purpose the metings in Calcutta and Bombay were arranged—to ascertain the areas of adjustment, the possibility of smoother co-operation between the sectors, than has existed in the last twelve months, is real.

There is at least one good reason why unstinted co-operation at this time should be extended to the Government. India is facing a severe external and internal crisis almost at the same time. The problem of foreign exchange and the problem of inflation are too close for us to indulge in a philosophical debate which will merely hinder action and aggravate our difficulties. Until the crisis at the door is resolved, every business man must be first a citizen of India and, therefore, a servant of the national, and no sectional, interest. In that sense and for a limited period the Finance Minister, unpopular as he now is in business circles, should receive in the framing of current economic policy the support of every element in the country. One may hope he will, when the Select Committee on the Finance Bill frames its report, remember some of the requests, which have been made of him. That will be the time for him to show by the appropriate gestures that he values the counsel and assistance that active agents in the business community render to the national interest in this hour of trial.

The Limits to Austerity

As a sequel to the recent meetings of the A.I.C.C. and the National Development Council, the country has been given a new slogan of austerity. The Prime Minister himself has set a personal example by deciding to go in for a smaller habitation. A voluntary cut in salaries has been made by the Central ministers. Some State Governments have followed suit and reports appear everyday about the varied and spectacular moves made to avoid pomp and ostentation. Thus the construction of the new Raj Bhavan for the Punjab Governor costing Rs. 58 lakhs has been postponed. Many State Chief Ministers have decided to dispense with their security guards. There will be restriction in the presentation of civic addresses to ministers and many more things of this kind may still come about. All these are apparently meant to create the necessary psychology in the country for austerity and "the tightening of the belt" at various levels very unequally prepared for an operation which is comparatively agreeable at the top.

It is time to ask the inconvenient question what this cry for austerity is meant to achieve and whether it will ever provide a real solution. The country's economy is faced with a crisis consequent on the implementation of the Plan. Will appeals for austerity and tightening of the belt help in saving the Plan and make the country tide over the present crisis? Secondly, what is the scope for austerity and the savings that can be effected thereby in a country where the large majority are living on the margin of subsistence? A frank answer must be found for these if the new drive for austerity is not to confuse and distract rather than assist solution.

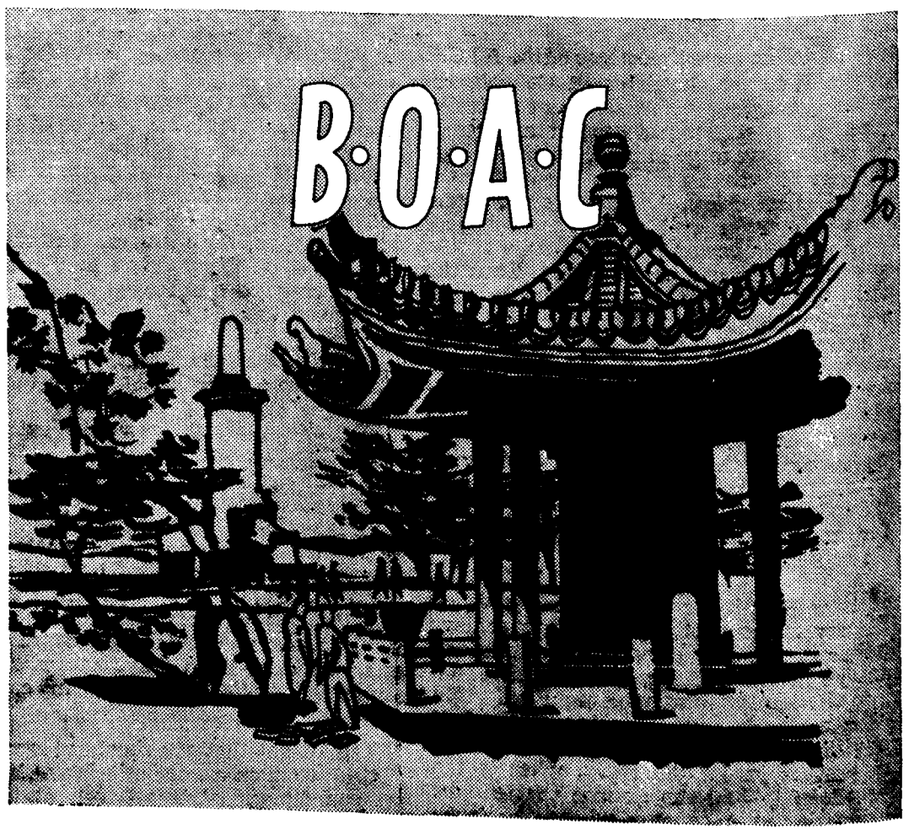
The Ministers are a class apart in that if they forgo a part of their salaries (even this is in part doubtful as there are quite a number to whom this may mean a real sacrifice) there is at least a political gain. Any cut in the salaries of the other classes will have no compensation. So far as the Indian Civil Service is concerned, its members have been guaranteed certain salaries in the Constitution; it is wrong to treat these solemn guarantees lightly. So far as other services are concerned, cuts will sap morale and will bring about demoralisation. This certainly will not be conducive to efficiency or hard work on which so much of the utility of administration depends. The demand for another Pay Commission has already been made by other classes of Government servants. Though the Prime Minister has stoutly discountenanced this demand, it cannot be bypassed if prices rise. Similarly the cry for an upward revision of salaries has also been heard from several other services. The claims of labour have been no less insistent and the constitution of Wage Boards for several industries is thus inescapable. In the face of these, the pursuit of a cut in the salaries of any class at this juncture is likely to be a vain stand against an overwhelming current.

The other method of enforcing austerity is to restrict consumption. Appeals have been made for avoidance of waste and extravagance and to curtail consumption. With food prices soaring and prices of cloth showing no marked tendency to come down, the consumption of the two primary necessities has already been limited to the margin. What scope is there for any considerable saving on this score? The fact is that in the majoriy of consumption goods, there is severe limitation in the practice of austerity. Mr. Morarji Desai has expressed the view that "imported drugs and medicines are not essential consumer goods". It may be that only about ten per cent of the population resort to them. Does it mean then, for instance, that they should go without these drugs when they can be effective in reducing grave suffering. Surely this austerity is doomed to failure.

These being the limits to austerity, its current value can be safely relegated to the background instead of making a fetish of it. The real remedy for the disease in the body-economic obviously lies in other directions. These are firstly, whatever tenable economy that is possible must be effected by drastic cuts in Government expenditure; secondly, it must be realised that production is the only remedy and whatever comes in its way either on ideological or doctrinaire grounds must be scrupulously eschewed, and lastly, it is high time it was realised that the Plan outlay must be related to available resources. Austerity is no remedy for a situation in which we are recklessly beyond our investment capacity.

It is right that one should recognise that in a critical situation a war outlook and even a "blood-sweat-and-tears" approach can at times greatly assist the task in hand. The danger, however, is always in attempting, in the name of a war psychology, a demand far beyond human endurance. What constitutes human endurance in this case is itself a variable thing, being a function of the degree of insecurity felt and, therefore, of the readiness to make sacrifices in the public mind. It is fairly clear already that our current economic crisis has not induced a passionate war outlook. In other words psychologically, too, there are limits on the demand which a programme of austerity can command.

There is obvious danger, when the willingness to sacrifice is not there, in imposing by any monolithic and non-democratic means a measure of sacrifice which will raise rebellion and not response. There is enough indication in the present case — as the response to the Central Budget made it clear — that the people of India are not prepared for all the sacrifices which the Government of India deems to be necessary. It is obviously advisable for the Government to take note of the indignation which the taxation proposals have raised amongst the vocal public. Civil servants and those subject to public service conduct rules cannot raise a similar cry, but this does not imply that their feelings in the matter are very different. There are many civil servants who are anxious to share in the sacrifice which the Prime Minister believes to be necessary. But there are many more in whom the proposed cut in salaries, with the inflationary situation still growing, will induce anger and resistance. On balance the result for the public sector is not likely to be favourable. In this psychological field, even more perhaps than in the tangible material things, there rests the supreme limit to a call for ideological sacrifice. It is easy to overdo the austerity cry; indeed it has already been overdone.



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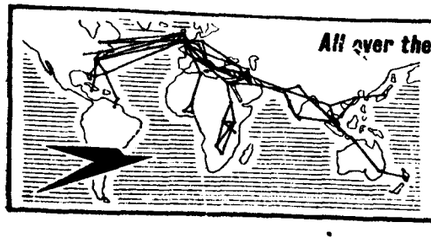
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THE WEEK'S NOTES

CANAL WATER DISPUTE

MR. W. A. B. ILIFF, Vice-President of the World Bank, is at present engaged in a fresh round of talks with the Government of India and Pakistan for the solution of the long-standing dispute over the utilization of the water of the Indus basin rivers. It is unfortunate that Mr. H. S. Suhrawardy, the Pakistan Prime Minister, should have chosen this occasion, when hope of a settlement is ascendant, to tell an American news agency correspondent in Karachi that Pakistan would be within its rights to fight for water supply if it should be cut off by India. The statement was not only inopportune; it was also unfair to India which had agreed to refer the canal water dispute for settlement to the World Bank despite the Standstill Agreement of 1948. Under that Agreement, Pakistan was to deposit with the Reserve Bank of India certain 'ad hoc' amounts for the flow of water from India to Pakistan. Though for the last nine years it has not deposited the money, India has not diminished the supply of canal water, which it could do under the Agreement, in order to meet the requirements of the Punjab and the arid areas of Rajasthan.

When due to Indo-Pakistan differences, it was felt that the dispute was becoming intractable, the World Bank offered its good offices to help find a solution. In 1954, the World Bank suggested a scheme under which the waters of the three rivers — Indus, Jhelum and Chenab — were "allotted" to Pakistan and the waters of Ravi, Beas and Sutlej to India. It also suggested that India should bear the cost of construction of the link canals in Pakistan which would replace the water supply Pakistan now gets from this country. India accepted the proposals, with the qualification that Kashmir should get a share of the waters of three rivers allotted to Pakistan. The latter raised, however, a number of objections in regard to the principles on which the scheme was based. In the beginning its opposition was due more or less to sincere doubts about its own capacity to execute the work of constructing the link canals during a specified period. But lately Pakistan seems to have been impelled by a desire to hold up indefinitely India's own schemes for utilization of the rivers allotted to it: it has kept alive the problem by demanding an omnibus solution of all Indo-Pakistan disputes. The aim of this policy of Pakistan seems two-fold: first, to buttress its case for Kashmir, on the ground that India's control over the disputed State might prejudice supplies from the rivers allotted to it as they have their source there; and, secondly, to force India to finance not only the link canals but also some gigantic irrigation projects by threatening to thwart India's progress by indefinitely prolonging the dispute. If Pakistan were keen on a settlement, it would have commenced the construction of the link canals during the last three years. After all, it has already constructed the Balloki-Suleimanki link canal, which has more than replaced the water Pakistan would lose after the completion of the Bhakra Dam.

RAJAJI AND THE PEACE COUNCIL

MR. C. RAJAGOPALACHARI, one of the elder statesmen of the country, is generally known and widely respected for his sagacity and political acumen. It was he who, as the Union Home Minister, refused to be taken in by the "non-Communist" character of the then newly-founded World Peace Council and banned holding of its inaugural meeting in New Delhi. Later, when the Communists offered a potent threat to the minority Congress Government in Madras, Rajaji emerged from retirement to save the State from falling a prey to Communist machinations. During one of his fighting speeches in the Madras legislature, he described himself as "Enemy Number One of the Communists".

It is strange, therefore, that he should now associate, and that so closely, with those very people whom he designated as his enemies. Indeed, it has become difficult to distinguish between his stand and that of the Communists on almost every burning topic — be it outlawry of the Atom and Hydrogen Bombs, the Suez issue, the Hungarian revolt or the Eisenhower doctrine. Recently, he inaugurated a conference of the All-India Peace Council in Madras State, and also sent a long message to the Colombo session of the World Peace Council. His message can well be described as the epitome of the Commuunist peace policy.

Rajaji's somersault — it is no less — is difficult to understand. Unlike Dr. Saifuddin Kitchlew, Pandit Sunder Lal and a host of fellow-travellers, he still commands the nation's attention and respect. Unlike them he is not a back-number in Indian politics, nor does he have to depend on the Communist platform for an audience, like so many who were considered eminent once. But the difficulty of understanding the association does not make it less excusable. Indeed, on scrutinizing the "policy" and the "performance" of the World Peace Council, it is difficult to refrain from condemning his association. Even after alleged "transformation" in the wake of de-Stalinization, the World Peace Council remains a wing of the Kremlin's foreign policy makers. It has not yet made known its stand on any issue independent of or at variance with Moscow. While it vehemently condemned the Anglo-French aggression in Egypt, it vociferously applauded and approved Russia's armed intervention in Hungary. This was obviously in tune with the policy of the Soviet Ministry of Defence. In a pamphlet issued on March 20, 1954, it was declared that "Communists are against imperialist wars as being counter-revolutionary wars, but they are in favour of liberating, anti-imperialist, revoluntionary wars". The same sentiments were echoed by Professor Joliot-Curie, President of the Council at Helsinki in June, 1955. While talking to the celebrated Swedish writer, Mr. Erik Blomberg, he said that "revolutionary wars of liberation are not counted as wars from the point of view of the World Peace Council". In plain words, this is an unequivocal admission that the executive core of the Council is exploiting the worthy sentiments for peace of the people to serve the purposes of Soviet Communism. One is inclined to ask Rajaji to share with the public any good that he may have seen in Commuunist profession and practice, for what can be better than sharing the greatest good with the greatest number?

U.S. AID TO POLAND

AFTER MORE than three months of negotiations, the United States has extended $95 million worth of economic aid to Poland. Of the aid, nearly $48 million will cover surplus farm commodities and mining machinery; $30 million would be in the form of a line of credit to be administered by the United States Government's Export-Import Bank; and about $19 million have been provided for the sale of cotton and fats and oils. The State Department also announced that Poland and the United States have agreed to begin negotiations soon on the American property claims against Poland resulting from nationalization measures after the Second World War, and on the releasing of pre-war Polish assets in America. The United States has also agreed "to broaden commercial and financial relations with Poland" by permitting the dispatch of certain private dollar funds to Poland and to simplify licensing procedures for export to Poland. The aid being made available immediately will enable Poland to make the following purchases in the United States: 100,000 metric tons of wheat, 26,000 metric tons of cotton, 60,000 metric tons of fats and oils and $4 million worth of mining

machinery. The credit for these purchases will be repayable in dollars, for a period of 20 years beginning in 1962, at 4.5 per cent interest.

This is the second time that the United States has given economic aid to any of the Communist countries, since the Second World War. This aid was demanded by the prevailing situation. The Polish people have been displaying increasing evidence of a determination to follow a course independent of the Soviet Union. In response to that popular sentiment, the leaders and the Polish Government have been trying to soften the features of Communism which do violence to human nature. If the United States Government had decided to act otherwise, it would have driven the Polish people and Government back to the Russian orbit. America's acting otherwise was feasible on a technical consideration that it would have, in the long run, become an unbearable economic burden on the Soviet Union. That would also have meant incidentally acceptance of the oft-repeated theory that there was no evolutionary road to independence for a people dominated by Communism and that their salvation lay either in their own successful violent revolution or through the victory of the free world over the Communist empire which could come about only in the event of a war. And war is unthinkable.

Economic aid to Poland will help that country progress towards greater independence of the Soviet Union. Mr. Richard Nixon, the United States Vice-President, remarked that "the explosive power of freedom is great enough to destroy Communism once it is given a chance to flourish." The Eisenhower Administration's decision to give economic aid will prove the correctness of this. It is, therefore, not "merely a gamble worth taking" as some short-sighted politicians will have us believe.

MALTHUS, MARX AND MAO

FOR SOME time past a heated controversy has been going on in Communist China on the advisability or otherwise of restricting the growth of population through what Malthus would describe as "preventive checks". Professor Ma Ying-chu, a leading economist of the country, has predicted that unless drastic steps are taken to restrict it, the Chinese population will surely increase to 2,600 millions in the next 50 years, almost equalling the present known population of the world which is about 2,636,600,000. Professor Ma is against the legalization of abortion or sterilization — which is "bad for health of women". He has, however, suggested that parents should limit their children to two. He has also recommended rewards for those who have only two children, and taxing of those who have more than two. These suggestions have provoked a barrage of criticism in newspapers, which allege that it would lead to ill-treatment of the third child at the hands of parents and possibly even lead to infanticide on a mass scale. Mrs. Teh-chaun, Minister for Health, has also opposed Professor Ma's suggestions, but has advocated "the popularization of the preventive checks". Chairman Mao Tse-tung recently rung the curtain over the controversy by observing that birth control is "something more than just regard for the health of mothers and children; it is the only solution of the population problem which has haunted the Government for some years". The birth control campaign has now been launched on a "war footing".

It is obvious that Malthus could not hope for a better compliance with his prescription. Gone are the days — at least in Red China — when advocacy of birth control was termed " capitalist cannibalism" by dyed-in-the-wool Marxists. These Communist critics of Malthus took their cue from Marx and Engels, the co-founders of "scientific socialism". Malthus will now perhaps be no longer "a bought advocate and a shameless sycophant of the ruling class", and his theory of population no more a "sin against science" and a "libel against the human race"'. The pressure of population is now at last recognized as something more than a problem of "the means of employment". One wonders how the faithful will reconcile with Mao's view their own belief that "it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of labourers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and, therefore, a surplus population". Malthus should now chuckle in his grave that the law associated with his name is after all not "peculiar to the capitalist mode of production."

In spite of its gigantic plans of development and socialistic economy, China has failed to make a mockery of the Malthusian Theory of Population. On the contrary, there is a grave danger of the ghost of Malthus stalking the land under the shadows of an acute famine. Lenin's well-known dictum, that even "critical flirtation with Malthusianism inevitably results in a descent to the most vulgar bourgeois apologetics", has not prevented Mao from accepting the theory of Malthus both as an explanation and a solution to the growth of population in China. History has strange ways of taking revenge.

A NEW VENTURE

THE EARLY part of this month saw the inauguration at Avadi in Madras State of yet another unique venture based on Indo-British partnership. Indeed, it can be stated without any exaggeration that the opening of the Tube Products of India's factory in collaboration with Tube Investments Limited, Birmingham, marks a mile-stone in the progressive industrialisation of South India. Estimated to cost over Rs. 1.5 crores eventually, the factory will be initially engaged in the production of tubing for the cycle industry, but there is no doubt that this industry will have a much wider field to cater to, the precision steel tube being a basic product for industry and having a multitude of uses. It is also not a little significant that the factory is a pioneer unit engaged in the production of a commodity not ventured before.

The Governor of Mysore, who spoke at the function, drew attention to the fact—which may look at first sight as rather odd—that a private industry should be started at the very place from where "inspiration went out for remodelling our society on a socialist pattern." But in truth, this is really not odd since the concept of a mixed economy is basic to the socialist pattern of society envisaged for this country. Recently, the Prime Minister and the Finance Minister have reiterated the vital role that the private sector has to play in taking the country forward in a co-operative spirit. Nothing can provide a more striking testimony, if any proof were necessary, than the setting up of the new factory which should show convincingly how the responsible section of the business community has understood the implications of the goal towards which this country is to move and how it is willing to play its legitimate part. It is for Government to respond in an equally generous measure to assist this section in all possible ways in the rapid industrialisation of the country without leaning heavily on doctrinaire policies.





A Window on the World

IS WEALTH BADLY DISTRIBUTED?

By

ODYSSEUS

IS THE REDISTRIBUTION of incomes part of Socialism? Does Socialism imply that all incomes should be equal?

These questions first began to agitate the minds of men in the nineteenth century when, after the Industrial Revolution, consciences were disturbed by the plight of the working classes. It was felt to be wrong that their human needs were so little satisfied. By a natural sequence it soon began to be felt that if it was wrong that some should have so little, it must also be wrong that some should have so much more.

The Industrial Revolution initiated not merely a material but a spiritual revolution. All over India most people identify poverty with holiness. This attitude shows how relatively little as yet the Industrial Revolution has penetrated India because the association of poverty with holiness is not peculiar to India: it was common to all countries before the Industrial Revolution when the impact of poverty, plus the belief that it was an eternal feature of the landscape, tended to create a revulsion against riches. But the techniques that caused the Industrial Revolution, by enabling mass production to multiply goods, created (1) a deep appreciation of worldly possessions and (2) a sense of the new material power that could eventually end poverty. Hence the characteristic Victorian philosophy of Samuel Smiles (author of the "Self-Help" and "Thrift" series of best sellers). Riches had been a scandal in the face of poverty. Smiles made poverty a scandal in the face of riches: an attitude which orthodox Socialists denounce, but which our Sarvodayans are sensibly propagating when they urge villagers not to wait for the state to build new roads and wells for them but to do the job themselves.

But if the Industrial Revolution focussed attention on the problems of poverty and redistribution, the idea of redistribution was not new. It is inherent in the concept of any society that those in direct need must be looked after. The family, the clan, the caste, the village have always looked after their needy. The practice broke down in Europe, and in local areas of India, when small communities were disrupted by the assembling of workers higgledy-piggledy into new cities that grew ever more vast and more impersonal. It is fashionable nowadays to sneer at feudalism, but the feudal concept "Every man hath his lord" meant that every man had someone whose recognised social obligation it was to protect him.

It took time before the gap left by the break-up of feudal traditions by the Industrial Revolution was recognised and filled. It was assumed that the standard of living of the masses would rise as free enterprise, competition, and mass production made goods cheaper and cheaper. By and large this faith was justified, as the free enterprise economy of the USA has demonstrated. Nowhere is the common man better off (or, as some unkindly add, more common).

HELP THE UNFORTUNATE OR RAISE THE AVERAGE?

Bertrand de Jouvenel offers the interesting suggestion in his remarkable booklet "The Ethics of Redistribution" (Camb. Univ. Press. 1951) that two different notions were confused: (1) that the situation of the average worker is best improved by the play of productive forces and (2) that there is no need to take care of an unfortunate "rearguard". As long as emphasis was laid on raising the average by the processes of profit-making competition, there was reluctance to intervene on behalf of the unfortunate. On the other hand, as soon as attention became focussed on the rearguard, it was a natural conclusion that the condition of the average could also be raised by state intervention.

Let us re-read that last paragraph and reflect about it. Does it not suggest that while (1) relief of the unfortunate is a clear social obligation which the destruction of village neighbourliness, of responsible aristocracics, and (in the West) of Church wealth, has laid on the state for want of a better agency, it remains to be seen whether (2) taxation and other redistributive policies are the best means of raising average incomes and the standard of living, and whether they do not conflict with other social aims?

Bertrand de Jouvenel distinguishes the two cases thus: (1) when through the working of the social services, a man in actual want is provided with the means of subsistence, whether it be a minimum income when unemployed or medical care which he could not have afforded, this is a case of social obligation for relief of the unfortunate. But (2) redistribution occurs whenever the individual is relieved of an expenditure that he could have afforded. By freeing a proportion of his income for expenditure on other things this therefore amounts to raising his income. A family which would have bought the same quantity of food at non-subsidised prices and gets it that much cheaper, and an individual who would have paid for the doctor whose care he gets for nothing, have had their incomes raised by redistribution.

SCANDALOUS EXPENDITURE

The urge to redistribute arises because it is felt to be scandalous that so many should be inadequately provided when a minority have more than they need.

But judgments on what is, or is not, sensible and legitimate consumption are relative and vary enormously. While the sight of an alleged millionaire dashing by in a Rolls arouses condemnation for "wasteful" expenditure in Bombay, the same sight in New York, far from arousing disapproval, provokes emulation: "If I work hard enough, I'll be able to afford a car like that!" And remembering that the poorest people in New York enjoy a standard of living fantastically higher than most ordinary middle class people in India, the "obvious" merits of redistribution seem to need consideration.

The first basic fact to grasp is that whatever is felt to be (a) scandalous, or (b) reasonable, consumption reflects the subjective judgment of the state's policy-controlling classes—which in virtually every democracy has now come to mean the lower middle class. The views of this class as to what is indecent low-living or indecent high-living vary from country to country, from decade to decade, and from century to century.

An incidental fact to which I have drawn attention before is that the masses of "the people", are far less critical of conspicuously high-living than the petty bourgeois or lower middle class. The people who love spectacular durbars, aristocracies, and film stars are "the people".

The second basic fact is that it is the popular belief that most countries are wealthy and that what is wrong is that the wealth is badly distributed—too much going into the hands of too few. A simple calculation made from the income-tax statistics of any country will show that if you took all the income away from those whom the lower middle class controllers of opinion agree to call "rich", you would add only a decimal fraction to the incomes of those whom they agree are "poor".

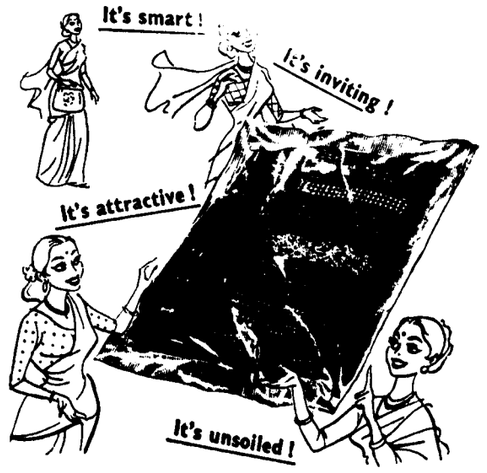
Unfortunately, I do not, as I write, have the latest Indian statistics at hand, and the best I can do is to quote from the 1947-48 report on the British Inland Revenue which showed that 58,500 Britons received incomes between £2,000 and £4,000 a year, giving them a total net income of £156,000,000; 3,430, received between £4,000 and £6,000 giving them a total net income of £14,000,000; and 70 received over £6,000, giving them £400,000. Thus, 62,000 "rich" were in net receipt of a total of £171,000,000 net. Supposing that it were possible to take this sum away without affecting production disastrously, and to distribute it to the 20,000,000 "poor" Britons in receipt of incomes of less than £1,000 a year, each would have an additional £8/10/0 to spend! You obtain similar rediculously disappointing results whatever country's figures you analyse. Before you could begin to raise the lowest income group to any noticeable extent, you would have to include lower middle class incomes among the "rich", and all that you might achieve would be slightly to raise the lowest group at the cost of debasing the whole range of middle class incomes from top to bottom. This is a theoretical possibility because if you attempted redistribution of existing wealth on that scale, you would bring the process of production to a dead stop.

From this, it emerges that the aim of all political parties in all states should be to promote policies which stimulate everyone to greater productive effort, as opposed to policies which hold out hopes (that must inevitably be illusory) of a bigger share of the existing cake.

The lower middle class intellectual (I use the term descriptively, not abusively) is naturally out of sympathy with the gaudier displays of wealth of the very rich. He therefore considers that redistribution involves no social loss. But if redistribution were carried out wholesale in hopes of adding a noticeable mite to the very poor, the lower middle class individual would take a different view of the resulting noticeable decrease in his own income. What he would consider sensible patterns of life would be destroyed, affecting standards which the intellectual considers necessary for the performance of social obligations of which he approves. It is easy to lay down that the Maharaja of Blankipore must do without his fleet of Rolls, but when teachers, clerks, public servants, trades unions officials, intellectuals, and artists, are to be deprived of their "modest" competencies, their "intelligent" pleasures, and their ability to spend money in "socially desirable" ways—that's "quite different".

But this raises many questions: Who is to decide what is "socially sensible" spending? How many ounces of caviare is "gracious living", how many "sheer gluttony?" Is it wrong to want to buy a valuable painting or even a book on economics, when you can look at either in a public library? Must the painter and the writer look solely to the state for patronage? Can you ensure that the recipient of redistributed income will have the good taste to refrain from "worthless" spending on worthless film shows in favour of "culturally valuable" activities like a Kathakali recital? We will attempt these questions next week.

[This is the second of five articles on "The Ethics of Inequality". Last week's was "Where Police Powers Are Greatest". Those to come are: "James—You Must Not Support The Painter"; "Bhanging Up The 5-Year Plan"; and "A Point for Mr. T. T. Krishnamachari".—Ed.]



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EUROPE, OR LITTLE BY LITTLE

(From Our Special West European Correspondent)

PARIS, June 15.

DESPITE political crises in Italy and France, and despite the pre-electoral atmosphere in Italy and West Germany, plans for the unification of Little Europe are assured of making paper progress this summer, because even the unstable and uncertain ministries now in office will probably be able to negotiate the Euromarket and Euratom treaties through their parliaments before the August holidays. The Bourges-Maunoury ministry in France, which in fact differs hardly at all from the Mollet Government it succeeds, is as thoroughly "European" as its predecessor, and in fact the elimination of Mendes-France from the leadership of the Radical Party leaves the new Prime Minister (who belongs to the right wing of that same party) a freer hand to hasten ratification of the treaties. The present Government is admittedly a stop-gap affair which Guy Mollet himself has manoeuvred into office to tide over until he is ready and able to resume power, probably later in the year. But its successor will almost certainly be another Mollet cabinet, so on European questions there will be uninterrupted continuity of policy. The retention of Pineau, and more important of his aide Maurice Faure, at the Quai d'Orsay underlines this continuity and recalls that throughout her post-war ministerial instability France has managed to go through fewer Foreign Ministers than most of her allies, the USA for instance.

In Italy, similarly, the fall of the Segni and then of the Zoli cabinets has had no effect on the progress of the treaties. Though, as I write, the succession is undecided, it is assured that no matter whether this fall to a minority Christian Democrat cabinet or to a neutral "current affairs" ministry holding office until the forthcoming elections, the European treaties will be ratified this summer in Rome. In West Germany, the treaties are not at the centre of the gathering electoral debate, and their ratification by the outgoing parliament is certain.

From the fact that the three main members of Six-Power Europe can thus ratify unification of their economic and power policies even in the midst of domestic political turmoil one might draw the conclusion that the Continentals are so passionately determined on unity that they are allowing nothing to stand in the way of the treaties. Or, alternatively, one might draw the conclusion that these paper plans are being pushed through by their enthusiastic advocates in an atmosphere of general indifference because all their numerous opponents know that there will be plenty of time later to undo the "progress" that is to be achieved this summer. This latter conclusion would perhaps be too cynical, but one is entitled to a measure of cynicism when theoretical unification is being hastened while economic unbalance grows, particularly between France and West Germany, while the deepening of the Algerian war puts a widening gulf between France and her partners, and while the policies of the coal-and-steel community are floundering in uncertainty.

Let us take the last-named institution first, because it is the only existing example of unification in Little Europe and its fortunes are a test of the European idea. The six Governments will have to undertake in a few months' time negotiations for the revision of the coal-and-steel pool treaty and this will be the occasion for a review of its utility to date. Meantime we have the evidence provided by the congress this month in Stresa (North Italy) of 300 economists and lawyers from the six countries, which studied the working of the pool. At the theoretical level, these experts were split sharply into planners and liberals: those who want the High Authority of the pool to follow a vigorously interventionist policy by really taking to itself the attributes of supra-national sovereignty in matters of prices and investments, and those who want the High Authority to remain a guardian of economic liberalism, a simple market policeman who leaves to the national parliaments all questions of prices, wages and the like. That years after the pool has been at work, the best-informed part of Continental opinion should thus be still totally at loggerheads on its functions is significant because the self-same question will arise for every other form of European unification, and the same divisions of opinion will repeat themselves. In other words, "European unity" covers radically different things for various people.

More important than what the experts say, is how the pool has in fact functioned, and the main fact that came out at Stresa was that the pool has not functioned except when it absolutely had to. The High Authority has made no attempt fully to exercise the powers the treaty gives it, let alone extend those powers. In the matters of selling zones, distribution of scrap iron and investments the High Authority has pushed passivity to the limit, while it has suffered concentrations and amalgamations to occur freely. (I am not arguing that so far concentration has reached dangerous or undesirable proportions, but the point is it has just occurred without the High Authority so much as offering its opinion on a policy for competition and monopoly.) Notably, it has been of no use in the controversy about decartellisation in West Germany—the break-up of the Rhineland cartels to which West Germany is committed by treaty but which is just not happening, far from it.

The explanation for this passivity is evident. It is not the outcome of liberal policy, but an absence of policy. The High Authority is powerless against the six member governments, and these governments have not supported it in any supra-national experiment, but on the contrary have taken back in practice the shreds of national sovereignty that they surrendered to it in the original pool treaty. Silently, and under the cover of a specious supra-nationality, the six countries have been drifting back toward the traditional practice of multilateral international agreements. Admittedly, at that level they have some useful achievements to their credit in coal and steel: an international agreement on labour migration and the preparation of a convention on social security. But, unless the word has lost its meaning, multilateral agreements of this sort, however desirable, are not "unification" and it is unification that Little Europe is supposed to be about. A test for the utility of the steel-and-coal pool lies just ahead: the Continental steel industry has increased its output by 50 per cent between 1951 and 1956 and is still booming, so that by 1960 it will need to import 30 million tons of coal, much of it from the USA. If the

High Authority can impose a common import and distribution policy for American coal, then it will be time to talk of a progress of supra-nationality in West Europe.

The unity mystique, however, seems to be proof against mere facts of the sort that were discussed in Stresa last week. The President of the Italian Republic, Signor Gronchi, who is a confirmed European, pronounced the closing speech at Stresa and then went straight to Rome to pronounce the opening speech at the Congress of Europe this week. At the Congress were repeated all the arguments about the economic power and political influence Europe can regain by uniting, about the necessity for a common policy on major world problems, etc., etc. Politicians have short memories, so we must assume they had already forgotten Suez but presumably they were aware that in the senior member-country of Little Europe, France, the dominating problem is Algeria, and on Algeria none of France's partners (save perhaps Belgium) would be willing to endorse present French policy. This is important because the Algerian situation has worsened considerably and the French now face a choice between capitulating and making total war. A capitulation would produce grave political strife within France itself such as to endanger the existence of the Fourth Republic; an all-out war, complete with state of siege in Algeria and wartime austerity in France, would mean extensive reorganisation of the French economy such as to make impossible further progress toward economic unification. In either case, the future of Little Europe will be gravely compromised.

Already the West European economy, which it is proposed to unify, is in a state of acute unbalance, with West Germany heavily in surplus in EPU and France heavily in deficit. Some of the features of this situation were discussed here recently in an article called Threat to the Franc. Since then, and as a direct result of the loss of confidence caused by the ministerial crisis in Paris, the French Government had to take draconian measures against imports, demanding a 50 per cent cash deposit with all applications for import licences. On this measure, the Gazette de Lausanne commented: "Once again France has disappointed us....France has just rendered a very poor service first to her own reputation and then to the European unity cause which she has defended so vigorously this year. She must recognise this undeniable fact: the new measure which seeks to discourage foreign imports is in total contradiction with her whole European policy". The contradiction is indeed total, but it is typical. Seeking a vote of confidence in Parliament this week, M. Bourges-Maunoury promised both active measures to limit imports and hasty action on the ratification of the common market treaty.

Naturally, in this atmosphere of uncertainty plans for the creation of the free-trade zone in Europe, which would include Britain, have fallen behind schedule. The ministerial committee of OEEC which was to hear Mr. Peter Thorneycroft's report on the progress of these plans next month will now not meet until the end of October. There is of course no hurry; it took the Continentals two years to devise the Euromarket pact and the first customs tariff reductions under that scheme are not due to be introduced until the beginning of 1959. The free-trade zone is a much more complex business and presupposes firm progress on the Continent with Euromarket, progress which it is the purpose of this article to suggest is much less certain in fact than on paper.



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WORLDGRAM

AGRICULTURE

Soil Testing Service for Delhi Farmers: A Soil Testing Laboratory has been established at the Indian Agricultural Research Institute, where the farmers of Delhi can send their soil samples for analysis and obtain free advice on the use of fertilizers and other soil corrective measures for the increase of crop yields.

This Laboratory is one of the 24 State Soil Testing Services Laboratories proposed to be set up by the Government of India throughout the country under an Indo-US Agreement. So far 14 such laboratories have been established in different States.

The Delhi Laboratory has already started functioning and farmers from the villages lying close to the Delhi urban area have started taking advantage of this free service and quite a few farmers have begun to use fertilizers on the basis of soil tests conducted by the Laboratory staff. More than 500 Soil samples have been collected from the 19 villages covered by the scheme for the introduction of Intensive Cultivation Methods which the Indian Agricultural Research Institute had initiated in Delhi a few years ago.

*

Export Sale of US Cotton: The US Agriculture Department has announced the export sale of 35,930 bales of 1954 crop Government-owned cotton as well as the sale of 295,321 bales of 1955-crop cotton.

The 1954 crop sales were made at an average price of 27.73 cents per lb. basis middling inch cotton while the average price of the 1955 crop cotton was 27.33 cents.

With this sale the total sale of 1954-cotton crop under the 1956-57 Disposal Programme amounts to a net of 7,703,177 bales, the department said. The net total included adjustments. This cotton is to be exported before August 15, 1957.

The amount sold up of 1955-cotton crop under the 1957-58 disposal amounts to a net of 3,203,287 bales. It was the sixth sale of this cotton which cannot be exported until August 15 of this year.

INDUSTRY

Punjab Plans for Leather Industry: To modernise the tanning industry and to organise tanners' Co-operatives, the Punjab Government has decided to establish 10 Co-operative village tanneries in the State with a cost of Rs. 1,70,000 during the current financial year. The Central Government will meet the entire cost and will provide Rs. 8,250 as interest-free loan and Rs. 8,250 as grant for the construction of tanning sheds and pits to each tannery. At present the leather workers and tanners in Punjab are doing tanning work mostly in their houses on primitive methods using bark of trees as tanning material. There is a vast market for high class tanned leather in Punjab from where hides and skins are at present, exported and tanned leather imported from outside.

The State Government also proposes to organise 271 new Co-operatives of shoe-makers at a cost of Rs. 2,85,000 during 1957-58. The whole of this amount will be provided by the Central Government out of which half will be advanced in the form of loans and the remaining half as grants. Each leather goods society will have on an average, 15 workers.

*

Cement Factory For Srinagar: The Kashmir Government will shortly set up a cement manufacturing plant near Srinagar at an estimated cost of Rs. 15 lakhs.

The cement factory, which will manufacture between 30 and 60 tons of cement per day, forms part of the State's second Five-Year Plan for developing the industrial potential of Kashmir, involving an outlay of Rs. 3.41 crores.

The Planning Commission has, under the second Plan, approved the schemes submitted by the State for the establishment of cement, pottery, brick and tiles factories.

Among other things, the Planning Commission has also approved the expansion and renovation of some of the existing industries, such as silk and woollen textiles, and increase in the local production of raw materials required for these factories.

The State Government is, however, facing some difficulties in the matter of foreign exchange and technical personnel to implement these schemes speedily. The State Government has already sent out over 50 persons to receive technical training in other States and abroad.

*

Industrial Output Improves. Industrial production in India showed slight improvement in January, 1957, when the general index (base 1951—100) stood at 138.9, compared with 136.4 for December last year.

This minor improvement in the index was mainly due to increased production of textiles during the month under review. Output of cloth and yarn rose under review. Output of cloth and yarn rose to 483,700,000 yards and 156,400,000 lb. during the month under review from 479,300,000 yards and 155,200,000 lb. in December last year. In January this year 88,800 tons of jute goods were manufactured compared with 84,900 tons in the previous month. Among other industries, production of automobiles and matches was also higher at 3,025 and 50,700 cases, compared with 2,882 and 48,100 cases, respectively, in December last year. Output of paper and cement was nominally lower at 17,493 tons and 459,000 tons. Raisings of coal also fell to 3,627,000 tons from 3,678,000 tons in December, 1956.

*

Standard for Caustic Soda Issued: An Indian standard specification for Caustic Soda, Pure, (IS: 1021-1956) has been published by the Indian Standards Institution. Caustic soda, pure, is a basic raw material for a variety of chemical industries and is of particular importance in the production of rayon fibres where it is used as a coagulant. Rayon production is very sensitive to the impurities in the alkali which affect the quality of the final fibre produced. This grade of caustic soda will be suitable for rayon industry. Copies of this standard can be had from the ISI Office, 19 University Road, Delhi-8, or its branch offices in Calcutta and Bombay.

FINANCE

India Avails of I.M.F. Standby Credit: Under an agreement arrived at with the International Monetary Fund in February 1957, the Government of India have so far drawn an amount of $127.5 million. The same agreement also provided for a standby credit of $72.5 million which India could draw on at any time in the next twelve months. The Government of India have availed of this standby credit and drawn a sum of $72.5 million.

*

Pakistan-UK Agreement: The Pakistan Government has announced conclusion of an agreement with the United Kingdom for avoidance of double taxation and prevention of fiscal evasion with respect to duties on estates of deceased persons.

*

Andhra Pradesh Sales Tax Bill: The President has given his assent to the Andhra Pradesh General Sales Tax Bill, 1957. The Bill seeks to introduce

throughout Andhra Pradesh a uniform law relating to sales tax. Hitherto, the Hyderabad Sales tax law was in force in the Telengana area and the law of the old Andhra State in the rest of Andhra Pradesh. The provisions of the Bill generally follow the provisions in the Sales Tax Laws which were in force in the two areas. Besides, the rates of tax are expressed in terms of naye paise and the taxation of sales of "declared goods" is made to conform to the provisions of the Central Sales Tax Act, 1956.

*

Foreign Capital for Heavy Industries in India: The Deputy Minister for Finance, Shri B. R. Bhagat, had laid recently a statement on the Table of the Rajya Sabha showing all remittances made from abroad for investment in Indian business or industry in the four months between December 1956 and March 1957. According to the statement a total of Rs. 73.16 lakhs was received for investment in India from the United Kingdom, British East Africa and Germany. The amount from the UK was Rs. 65.97 lakhs in respect of manufacturing industries such as asbesto goods, tube mills, metallic and non-metallic gaskets, pharmaceuticals, sewing thread, automobiles, spindle tapes, v. belts etc. From British East Africa, a sum of Rs. 0.25 lakhs was received for cement and chemical manufacturing industries. Germany's contribution was Rs. 6.94 lakhs for diesel fuel injection equipment and dam construction.

TRADE

Export of Unutilised Quotas of Yarn to be Permitted: Cotton textile mills are at present allotted quarterly yarn export quotas from out of their production of yarn in excess of their production in 1955. This incentive is given with a view to encouraging mills to produce more yarn for the handloom industry. Quotas thus allotted under the present procedure are to be exported by the mills themselves or through their nominees. It has been noticed that some of the yarn export quotas remain unutilised and are not exported because the mills are not interested in export, the internal prices of yarn being sufficiently attractive. In view of the foreign exchange position, Government have decided that the quota remaining unutilised in the preceding quarter will be freely licensed to exporters on first-cum first-served basis in the following quarter.

*

Indian Owned Tonnage in Overseas Trade: Indian owned tonnage employed in various overseas trades consisted of 43 vessels of a total GRT of 2,89,273 on March 31, 1957, as against 36 vessels with an aggregate of 239,953 as on March 31, 1956. The freight and passenger earnings of Indian Shipping Companies in the overseas trade showed an increase in 1955-56, the figures being Rs. 10.49 crores in 1954-55 and Rs. 13.41 crores in 1955-56. On the India-UK-Continental trade, Scindias and India Steamships employed by the end of March, 1957, 30 ships of about 208,329 GRT as against 25 ships of about 1,73,000 GRT employed by the end of March, 1956. The Eastern Shipping Corporation were able to ply two ships in the India-East-Asia-Japan trade as against one ship employed by them during the previous year. The Indian owned tonnage employed on the coast as on March 31, 1957, consisted of 81 vessels of a total GRT of 2,32,167. The net provision for shipping in the second Plan is only Rs. 37 crores, of which a sum of Rs. 20 crores is intended for expenditure in the public sector. Almost the entire provision of Rs. 37 crores made in the second Plan for shipping has been utilised by March 31, 1957 by way of grant of loans to private shipping companies or investment in the Government shipping corporations, and this has enabled the shipping companies, both in the private and public sectors, to acquire or order construction of extra tonnage.

*

UK Dollar Exports Continue to Rise: The value of British exports in April was £272,200,000, according to the final trade figures for the month issued by the Board of Trade in London. Re-exports were valued at £8,600,000, and imports at £349,700,000. The value of the exports was £25,000,000 less than in March, and that of the imports £12,000,000 less, and the visible trade deficit rose to nearly £69,000,000. Allowing for the carry-over of delayed imports, the average trade gap this year of £62,500,000 a month is of much the same dimension as the visible deficit of £56,000,000 a month for the period January-April 1956. The commodity pattern of trade remained comparatively unaltered in April compared with the first quarter of this year. Exports of engineering products were up by one per cent and the recovery in motor-car exports continued, while exports of steel also showed a marked upward rise. Petroleum imports, for the first time since the closing of the Suez Canal, reached the average level for the first 10 months of 1956, their value—at £43,000,000—being nearly two-fifths greater. Seasonal movements accounted for the other changes in the April import pattern.

GENERAL

Improvement in Employment Situation: The overall employment situation in the country showed improvement during April 1957. There was increase in the number of employers utilising the services of Employment Exchanges, the vacancies notified by them and placements. Twenty seven thousand four hundred and sixty nine vacancies were notified by 5,827 employers during the month. The figures for March were 22,646 and 5,126 respectively. The number of placements secured by Employment Exchanges in April was 15,814. This was 2,743 more than the placements in March. The increase in placements was recorded mostly in the States of Uttar Pradesh, West Bengal, Bihar, Bombay, Rajasthan and Madhya Pradesh. Of the placements secured 5,827 were in the Central Government, 5,533 in State Governments and 2,221 in quasi-Government establishments. The remaining 2,463 placements were in the private sector. The Live Register showed that there were 7,53,537 applicants awaiting employment assistance at the end of April as compared with 7,47,341 at the end of the previous month.

*

Railway Lines in India: During the first Plan period 430 miles of railway lines dismantled during the war were restored, 380 miles of new lines constructed and 46 miles of narrow gauge line converted into metre gauge. By the end of the Plan, ten new lines totalling 453 miles were under construction, 52 miles of lines were under conversion into broad gauge and surveys for 2,000 miles of new lines were in progress. Of the nineteen new lines totalling 758.92 miles opened to traffic since independence, twelve were executed during the first Plan period. The most important of these new lines was the Assam Rail Link measuring 142 miles. In spite of adverse conditions, the project was completed well ahead of schedule. The main features of the programme of development under the second Plan are: doubling of 1,607 miles of track; conversion of 265 miles of metre gauge lines into broad gauge; electrification of certain sections totalling 825 miles; dieselisation of 1,293 miles; construction of 842 miles of new lines, and renewal of 8,000 miles of obsolete track.

NEWS IN BRIEF

INDIAN

It is reported that the Government of India is contemplating on the establishment of a metals refinery with a capacity of 10,000 tons.

*

There was an improvement in the supply position of petroleum products in India during 1956. The country was able to export 80,785 tons of motor spirit and 2,48,552 tons of fuel oil during the year.

*

The Joint Chief Controller of Exports, Bombay has announced that as the ceiling fixed for the export of copra cake has been reached, no further shipping documents will be entertained with immediate effect.

*

It is reported that cotton waste soft, including silvers, rovings, ends and bondas, will continue to be licensed freely for export till December 31, 1957.

*

Twenty four private companies with an authorised capital of Rs. 70,95,000 were incorporated in the Northern Region in April, 1957. During this period, no public company was registered in the Northern Region.

*

The Government of India have decided to extend the shipment period in respect of licences for cotton textiles issued under the Indo-Burma agreement under the U.S.P.L. 480 programme up to June 30, 1957 in respect of the quantity which has remained unshipped as on March 31, 1957.

*

The Indian Standards Institution has circulated for eliciting comments, a revised draft of the standard specification for antimony. The specification was first issued as a tentative standard in 1950.

*

The coal washery to be set up at Kargali at an estimated cost of Rs. 2.5 crores is expected to produce 350 tons of coal per hour.

*

The value of the output of cottage and small-scale industry products under different schemes implemented in nine of the 26 pilot projects for intensive development of such industries in the C.D. and N.E.S. areas for the period ending December 31, 1956 totals Rs. 58,55,000.

*

Messrs. Tata Industries Private Ltd., Managing Agents for the Tata Iron and Steel Company Limited, report that the total approximate production of iron and steel at the Steel Works at Jamshedpur during the month of May 1957 was, pig-iron 91,300 tons, steel ingots 86,600 tons.

*

To milk factories, two rural creameries and five milk unions will be established in the State during the second Five-Year Plan period by the Co-operative Department of Uttar Pradesh. The cost of these schemes is estimated at Rs. 112.69 lakhs.

*

Negotiations between the National Industrial Development Corporation and several foreign firms for their collaboration in the execution of major industrial projects have reached an advanced stage.

*

Industrial production in India showed slight improvement in January, 1957 when the general index (Base 1951=100) stood at 138.9 compared with 136.4 for December last year.

FOREIGN

The World Bank, in participation with other investors, on 15th May made a loan equivalent to $15 million to the Finance Corporation for National Reconstruction (Herstelbank) of the Netherlands. The loan will provide the Herstelbank with additional capital for lending to the enterprises for industry, transport and commerce.

*

The International Labour Organisation has announced in Geneva that Ghana has become a member.

*

It is reported Pakistan Government has banned export of food grains from the country.

*

Most of Japan's textile industries are planning to curtail their operations because prices are falling with increasing rapidity in many markets.

*

The US Export-Import Bank has announced a $23 million loan to Iran to strengthen her economy and help her to maintain adequate defence forces.

*

The sterling area's gold and dollar reserves rose by $25 million during May. The total reserves—an indication of Britain's economic health—stood at $2,345 million on May 31.

*

The United States has announced it was extending $95 million (£33.9 million) worth of economic aid to Poland.

*

Two more major US international oil companies have raised their prices for crude oil in the Persian Gulf.

*

Australia is expected to finish her financial year this month with a favourable balance of trade of £A275 million, compared with a deficit of more than £A39 million in the last financial year. This would represent an improvement of £A314 million.

*

Europe's production of steel in 1956 reached record proportions and the rise continued in the first quarter of this year.

*

Personal spending in the first quarter of 1957 on main items other than food and fuel in England rose by 7 per cent to £1,232 million or 4 per cent at constant (1948) prices.

*

A new tariff now in force for all zones of Morocco, including Tangier, will impose high duties on imports of shoes, clothes, soaps and carpets. Although mainly protectionist, it will also apply to luxury goods such as automobiles, refrigerators and radios.

*

A new Dutch-Chechoslovak trade treaty has been concluded providing for an increase in mutual trade of about 10 per cent. More Czechoslovak goods will in future be carried in Dutch ships.



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Special Articles

NEW TRENDS IN POLAND'S ECONOMIC POLICY

By PROFESSOR OSKAR LANGE

["The Eastern Economist" is glad to present this analysis of Poland's recent developments by Oskar Lange. His views being those of a leading international authority need careful consideration, but they are not necessarily those of 'The Eastern Economist'].

THE economic development of Poland after World War II can be divided into three stages: the first was the stage of post-war reconstruction; the second may be briefly labelled as the stage of socialist industrialisation. The third stage, which is just beginning, may be properly described as that of balancing the national economy and of developing workable forms of socialist democracy.

During the war and in the course of the Nazi occupation, the country was terribly devastated. Six million people, i.e., one-sixth of Poland's pre-war population, perished under the physical extermination policy of the Nazis. About one-third of the nation's wealth was destroyed. The repair of the damage and the restoration of conditions of normal life were very difficult tasks. They were achieved more or less by 1948-49, with industrial production exceeding the pre-war level at that time by 60 per cent.

In 1950, a Six-Year Plan of socialist industrialisation was started. The experience of the pre-war period showed that industrialisation based on private capital investment was impossible. The Polish middle class was economically too weak. It did not have sufficient resources to develop large-scale industrialisation of the country. There was much foreign capital in Poland, controlling from 50 to 90 per cent of the major industries. The attitude of this foreign capital, however, was semi-colonial. It was interested in quick profits which were exported and not reinvested in the development of Poland's national economy. Under these conditions, only socialist industrialisation, carried out by means of public investment could do the job.

The programme of socialist industrialisation proved to be a success. During the years 1950-55, industrial production increased by 270 per cent. Output of steel almost doubled reaching 4.4 million tons per annum. An entire set of new industries was created particularly in the field of machine tools and chemicals. Among these, mention might be made of aircraft (jet planes), motor cars and shipbuilding. The output of textile industry increased during the period by 230 per cent. This rapid industrialisation was achieved at great national effort. The amount of national income devoted to capital accumulation amounted, during some years of the Six-Year Plan, to as much as one-third. The resulting increase in national income during the six-year period amounted to 82 per cent.

It is clear that such an intensive and huge effort of industrialisation could not take place without difficulties. It created a certain lack of balance in the national economy. One of the unbalancing factors was the failure to develop a sufficient raw material base, either through the development of production of domestic raw materials or through developing sufficient foreign trade to import the necessary raw materials. The latter was hampered by foreign exchange difficulties. The other, more important, unbalancing factor is agriculture. Agricultural output increased during the Six-Year Plan only by 19 per cent. This was partly due to insufficient resources devoted to agriculture and partly a consequence of errors in agricultural policy which did not sufficiently take account of the need to develop proper incentives among the peasants.

The main objective of the economic policy during the next few years consists in assuring a more balanced development of the national economy. The rate of capital accumulation is reduced to 20 per cent of the national income. Industrial output is expected to increase during the period 1956-60 by about 55 per cent, special attention being given to assuring a balanced industrial structure. This implies specially increased output of raw materials and of export goods in exchange for which raw materials may be purchased. Greater attention will also be given to consumer goods industries, partly through encouragement of the development of private handicraft and other forms of small private and co-operative enterprise.

A special effort is going to be made in the field of agriculture. The objective is to increase agricultural output by at least 25 per cent during the period 1956-60. This implies not only the direction of greater amounts of resources towards agricultural development but, more important still, a new economic policy designed to develop the peasants' economic incentives. This implies a substantial reduction of the compulsory deliveries made by the peasants to the State with the prospect of abolishing them altogether in the future. The intention is to arrange relations between the State and the nationalised industries on the one side and the peasants (most of whom are private producers) on the other entirely on the basis of the market. The State will continue in principle to encourage the development of co-operative agriculture. However, any attempt to enforce co-operative production has been definitely given up. Such co-operative farms as were organised under conditions which did not ensure free choice to the peasants, are being liquidated. Only those remain which have definitely proved that they are economically sound. In this way the development of co-operative agriculture is being put on a new basis.

During the period of intensive industrialisation, planning and management of the national economy was highly centralised. This was necessary to marshal all resources for the objective of industrialisation and to prevent leakage of resources into uses which are not essential from the point of view of the industrialisation programme. The rapid industrialisation was also done with cadres which had no experience in industrial management. This too necessitated centralisation of management of the national economy.

The centralised methods of planning and management were useful during the period of intensive industrialisation, but they cannot be a permanent feature of the economy. One may say that these were essentially methods similar to those used in a war economy like centralised control and allocation on the basis of priority. Indeed, the country was waging a war against centuries of economic backwardness and once the war has been won, it is possible and even necessary to adopt

new and more flexible methods of economic planning and management.

The new methods consist in decentralisation and democratisation of the management of the national economy. Smaller industries of local significance and the whole State retail trading system are passing under the management of local government. At the same time small private handicraft and other forms of small private enterprise are being encouraged. The main feature of the decentralisation of management is the attribution of greater independence to socialist enterprises. The central economic plan will set only the basic objectives for the enterprises, leaving them free to choose ways and means of implementing the plan and also to decide upon the detailed aspects of their production plan.

The management of the national economy is being democratised. The top-heavy bureaucracy, which developed during the period of centralised management, is replaced by a system of self-government of the workers. One of the consequences of industrialisation was a doubling of the number of industrial workers in Poland. This has led to a great increase in the political activity of the working class and in particular to a great movement for workers' self-government in industry. Workers' councils are being formed in the factories and the workers demand to be masters in their plants. New legislation was passed recently giving the workers' councils the right of participation in the management of the plants and in the appointment and dismissal of directors.

A great democratic upsurge is taking place among all classes of Polish society. Peasants, intellectuals, the lower middle class — all are forming associations designed to express their interests and points of view. The workers' councils, co-operative societies and the associations just mentioned will be the instruments of democratic management of national economy.

The new stage of development which Poland's economic policy enters upon can be briefly described as the stage of maturation of socialist democracy. Pre-war Poland was one of the most backward countries in Europe, underdeveloped and dominated by foreign capital. With great and tremendous efforts the Polish People's Republic took the road of planned, socialist economic development. The road was difficult, fraught with errors and distortions of over-centralised bureaucracy. Through all these difficulties, the road led ultimately to success. Now it has opened new vistas of greater economic balance and true socialist democracy, of an economy managed by the people and for the people.

AN ALL-INDIA PRICE OF COAL

(CONTRIBUTED)

RECENTLY there have been proposals for the equalization of the price of coal on an all-India basis. The purpose is to make coal — like iron, steel and cement — available at an equal price, at all rail-heads, to industries (existing or probable) in various regions of the country, and thus eliminate the handicap created by the localized occurrence of a basic raw material.

The objective of an equal price for a basic source of energy such as coal is probably a sound one, as it may give equal chances for industrialization to all parts of the country and to a certain extent help in the dispersal of industries. How can the objective of equalized price of energy be achieved with the concurrent achievement of the objectives of:

(i) utilization of the poorer quality of coal resources which form by far the major resources (90 per cent) of the country;

(ii) minimizing transport of coal and conserving haulage capacity;

(iii) producing basic industrial raw materials and services, such as iron and steel, cement, power and heavy chemicals at the lowest cost for distribution, and

(iv) encouraging dispersal and economy in production of consumer goods without upsetting the present industries and particularly basic industries?

The only way to achieve these objectives is by production of the basic commodities such as iron, steel, and cement at the cheapest possible cost and by equalizing the price of these intermediates and raw materials for manufacturing and consumer industries on an all-India basis at all rail heads; and at the same time establishing a price structure and distribution policy for coal, so that in effect the policy of distribution results in equalization — at least in the different zones — of the effective useful "heat value" of coal. The mathematical treatment given below shows the general conditions for establishing equality in the effective price of useful heat value of coals through control over distribution of the different qualities of coal.

Let the effective price of a superior grade of coal with useful heat units H1 be P1; and the effective price of the useful heat units in the inferior variety of coal H2 be P2. Then P1/P2 is greater than or equal to H1/H2....(1). When equality holds; prices are proportional to the heat units so that it does not matter to the consumer whether the coal is of higher or inferior quality. There will be a greater demand for the superior quality coal if P1/P2 is less than H1/H2....(2) and the result will be that in equation (2) consumers will insist on superior qualities of coal even when they can consume efficiently inferior qualities. The stoppage of misuse of superior varieties of coal and their conservation can be effected only if P1/P2 is greater than H1/H2....(3). Equation (3) suggests that the price per useful heat unit should be greater for superior coals.

It will be clear from equation (3) and the useful heat values of coal given in the table below that in the existing system of effective price, viz., pit-head price plus transport cost, the requirements of equation (3) can only be satisfied by restricting the supply of superior quality coals to areas of longer haulage. It is true that the above equation (3) is only of use when a consumer can utilize inferior varieties of coal. But, for industries such as iron and steel, which cannot do without superior varieties of coal, the equality to be achieved by equation (3) may not be applicable. On the other hand, in effect this equity is achieved by equalizing the effective price of iron and steel at all rail heads so that any benefit or weightage to manufacturing or consumer industries by virtue of their location near the iron and steel plant will be largely eliminated and the principle of equity for manufacturing

The Increased Cost of Coal for Steel for the Second and Third Plans

Year	Demand of coal Estimated in million tons	Cost of Coal (Rs. Crores) Present Price (a)	Equalized Price (b)	Difference (b) — (a)
1957-58	3.81	9.14	17.15	+ 8.01
1960-61	11.00	26.40	49.50	+23.10
1965-66	35.00	84.00	157.50	+73.50

and consumer industries for the country in general will be established. The principle of equalization of the useful value of energy will thus be achieved by following a policy of control on distribution of qualities of coal on a zonal basis and on the basis of unavoidability or inescapability for basic or heavy industries.

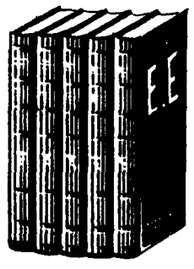
A zonal distribution scheme which will result in creation of iso-price distribution zones through controlled distribution of grades of coal is given below:

Class of Coal	Range of distribution from source of origin
Coal above 35% (ash and moisture)	(At or near pit head).
Grade III	Up to 75 miles
Grade II	75 — 200 miles
Grade I	200 — 400 miles
Selected Grades	Above 400 miles
Domestic Coke	Equalized price on 150 miles and 250 miles zonal basis
Coking coals	Restricted only to metallurgical industries.

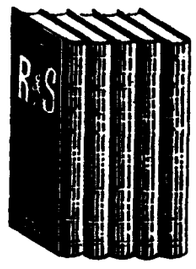
From the proposed policy of distribution of coal under the existing structure of effective price, it seems, therefore, that distant consumers will, in fact, have an advantage if they are supplied with the proper quality of coal. The equalization of coal price at all rail heads will have an opposite effect.

This policy also fits in with the principle of maximum utilization of the coal resources of the poorer qualities which form the bulk of our resources in fossil fuel. It will also result in providing an incentive to develop power resources on a regional basis (and from sources other than coal) and avoid inflation in the cost of heavy as well as consumer goods and minimize [illegible] port of bulky raw materials.

Adjustments in price structure of pit-head values of coal will, however, be necessary in order to provide an incentive to produce higher qualities through scientific techniques of betterment. Similarly, the price of by-product or waste fuels (e.g., middlings and rejects) have to be subsidised so that it may be economic to consume or convert them into higher grades of energy such as power, gas, or oil near their centres of production on an economic basis. In the cleaning of Indian coals, nearly 30 per cent to 40 per cent of the coals will become by-product, low grade fuels for which avenues of utilization must be found. This is necessary in any case, as the transport of the naturally occurring or "by-product" poor quality coals is uneconomic and wasteful. Unfortunately, the inferior qualities form the bulk of our resources of coal. Clear thinking and technology both have to be utilized if we are to solve our coal problems in future.



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Economic Report from the U. S.

AN ATOMIC VENTURE

(By GUY SIMS FITCH)

CHICAGO, June 18. — About 50 miles (80 kilometers) south-west of this metropolis, in the little town of Dresden, Illinois, major construction work began last week on the largest nuclear power plant in the U.S. It will have a capacity of 180,000 kilowatts, sufficient to provide electricity for a city of 250,000 persons, and will connect with transmission lines now serving a good part of northern Illinois. But the size alone does not measure the significance of this venture, which is scheduled to begin commercial power generation sometime in 1960. The salient point is that the Dresden plant is entirely the product of private enterprise and is designed to supply power on a competitive basis.

This new plant lies in the heart of a coal mining area. Yet officials of Commonwealth Edison Company, operators of the plant, believe that power generating costs will be on a par with those in their efficient coal-burning plants. This means the atomic production of electrical power at a cost of about 0.75 cents per kilowatt hour. There is one proviso in this figuring, however. This type of efficiency may be possible because the Dresden station will function also as a laboratory and training centre for seven other firms participating with Commonwealth in its construction. Some $15 million of the estimated $55 million construction cost will be charged to research. Thus, only $40 million enters into the calculation of generating costs.

The eight participants, plus General Electric Company, which is building the plant, apparently expect to recover any possible excess of costs in the form of technical know-how. This know-how, they emphasize, is an important intangible which later can pay off in tangible dollars and cents in this and future plants. In a sense, then, both Commonwealth and General Electric are putting massive risk capital into an atomic venture which they are confident, will be successful in the end. This step not only proved rewarding, but it helped revolutionize the electrical power industry.

This does not mean that anyone here predicts that a large-scale nuclear power industry will actually operate economically within the next few years. After all, the atom is still in the infancy as a source of power, and many U.S. generating stations can produce electricity for as little as 0.4 cent a kilowatt-hour using conventional fuels — coal, oil, gas and water. What is more, the U.S. still has abundant reserves of these power sources. In the face of such facts it seems startling to learn that more than 80 companies are now participating in the building of 14 nuclear plants in the U.S. at an aggregate cost of $400 million. There also is the likelihood that as nuclear costs are reduced, the atom will prove an economic power source in those areas — such as north-eastern United States — where fuel transported over long distances substantially increases generating costs. It is noteworthy that the Dresden plant will be filled with 60 tons of uranium which should last for six years — the equivalent of 3 million tons of coal.

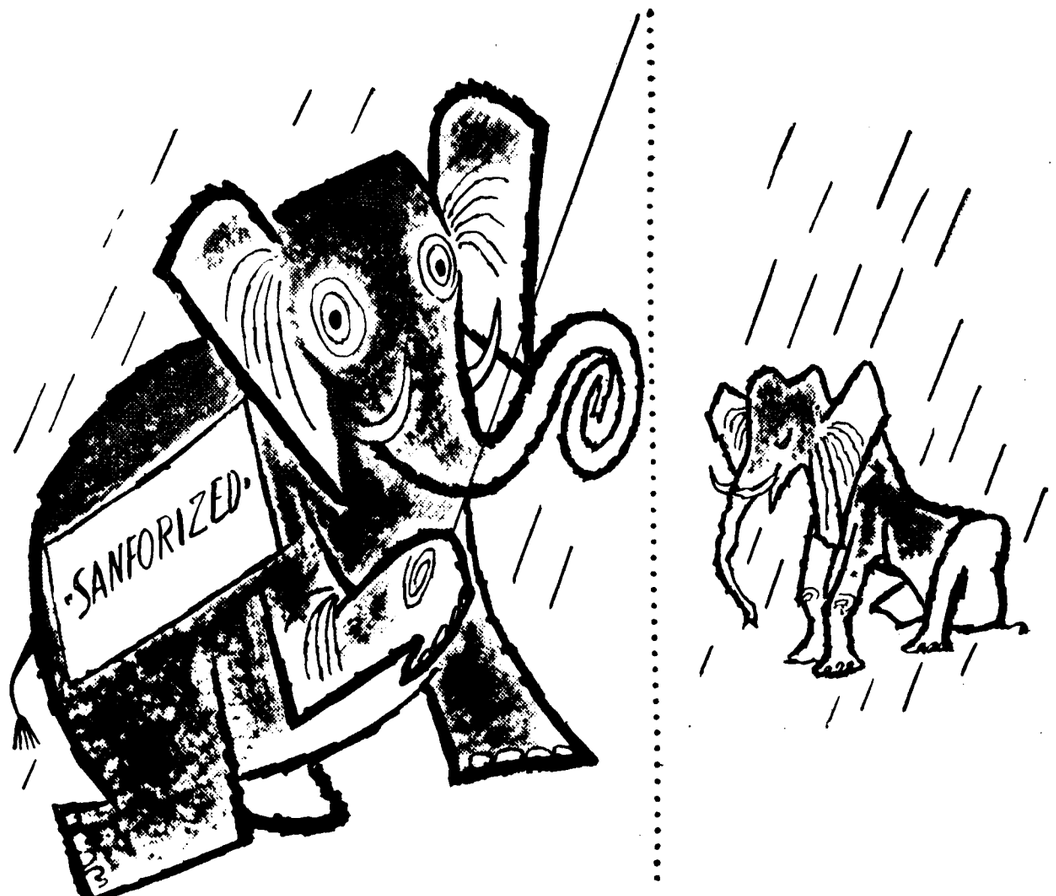


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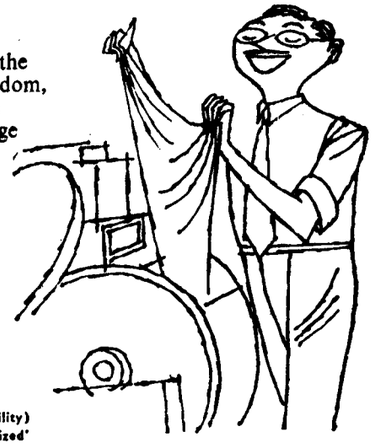


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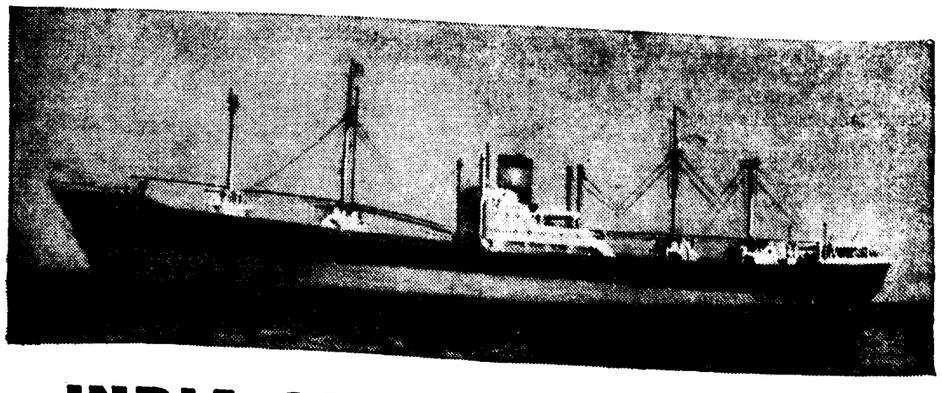
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BUSINESS NOTES

ROLE OF ADVERTISING

IT IS true that among the generality of the people, there is an inadequate appreciation of the value of advertising. For one thing, most people seem to take the view that advertising is a wasteful form of expenditure which the country cannot afford at present. Secondly, there is the objection from the social side that advertising debases morals and lowers popular taste and sometimes even leads to committing fraud on the public. The speeches of Mr. Morarji Desai and Mr. Dharamsey M. Khatau at the annual meeting of the Indian Society of Advertisers last week have helped not only to remove a good deal of misconceptions on this subject, but what is more important, have highlighted the important role that advertising plays in the economy of the country.

Mr. Khatau, referring to the progressive role of advertising in encouraging economies of scale, pointed out how "since advertising enables the manufacturers to expand the market, it makes it possible for them to cut down costs and pass on the benefits of lower production costs to the consumer". He cited the example of the West where the increase in national advertising expenditure has kept pace with decline in production cost per unit and expansion of markets and pointed out that the U.K. spent some 2 per cent of its national income on advertising while the proportion in U.S. was about 2½ per cent. There is no wonder, therefore, that the importance of advertising should have been recognised by manufacturers in India also since, as Morarji Desai put it, "it is not only a necessary expenditure but also a good and vital investment". The Indian Society of Advertisers, which represents nearly 60 per cent of the national advertisers, has been formed to "maintain and uphold sound economic principles of advertising" and also "to promote scientific standards and practices in advertising and publicity". Mr. Khatau has also underlined that since misdirection of advertising is a national waste, "it is both necessary and desirable that the cost of advertising should bear a reasonable relationship to the cost of production and cost of selling." This should go a long way in allaying any misapprehension of advertising being a wasteful form of expenditure.

From the point of view of the country, advertising can be of great value if it can promote the country's exports and bring valuable foreign exchange. Here Mr. Khatau has offered the co-operation of the Society to the Government and has made a number of suggestions which deserve great consideration. He has pointed out how only two countries account for nearly 50 per cent of India's export trade and only three commodities — tea, jute goods and textiles — account for 50 per cent of India's export earnings. There is thus need for both country-wise and goods-wise diversification of our export trade and hence publicity at expert level can play a large part. To be effective, advertising should not only be sustained, but it should be regarded as an investment and therefore in export market, there should not be any parsimony in expenditure. Since many members of the Society have acquired valuable experience by engaging themselves in export-advertising, there is no reason why Government should not take kindly to the suggestion of Mr. Khatau that the Society should be given adequate representation in export promotion councils and similar bodies that are being set up.

Lastly, with regard to the social aspect, Mr. Khatau has pointed out how the Society stands for the highest ethical standards and it has done its best in the formation of the Advertising Council. Mr. Desai rightly urged advertisers that they should not do anything that might harm society instead of benefiting it. "Advertisements" he said, "must not be something which attracts people to buy things which are really those which they should not buy". This is sound advice. Advertisers should also realise that much of the current prejudices against them are due to the rather preposterous claims that are sometimes made on behalf of their activities. This temptation should be guarded against if they want the public to repose more trust in them.

BUDGET AND CORPORATE INVESTMENT

THE UNREALISTIC nature of the Government's economic policy in general and that of the fiscal measures adopted by it in particular is clearly reflected in the stresses and strains which the economy has been experiencing ever since the commencement of the second Five-Year Plan. This situation, which has assumed serious proportions lately, calls for a practical approach which means a reorientation in the matter of implementation of the second Five-Year Plan. A dispassionate analysis of the prevailing economic situation of the country reveals that the root of all the trouble now facing our country lies in the unduly, bold and ambitious nature of the second Plan vis-a-vis the available resources. A sure remedy to the present economic malaise, therefore, consists in pruning the plan to a relatively more manageable size and re-adjusting its outlay accordingly. Mr. G. P. Kapadia, Vice-President of the Indian Merchants' Chamber, Bombay, very rightly pin-pointed this while addressing a Special General Meeting of the members of the Chamber held last week to consider the mid-May budget proposals of the Union Finance Minister. This was also the view expressed by Prof. B. R. Shenoy a few days later.

After reviewing the present economic situation and the overall resources position for the implementation of the second Five-Year Plan, Mr. Kapadia said that there would be a "substantial gap" of more than Rs. 500 crores, even after making due allowances for the possible increase in revenues and the fulfilment by the States of their respective contributions. If our defence expenditure was to increase substantially for national reasons, further resources might have to be found. This coupled with the serious foreign exchange position and the difficult agricultural situation, naturally calls, as Mr. Kapadia said, for a "re-adjustment of the lay-out of the Plan, confining the same to more essential projects."

Referring to the adverse effects on the capital market of the taxation proposals of the Union Finance Minister, which are beyond the capacity of the country to bear, Mr. Kapadia pointed out that, at a time when corporate enterprise needs nursing and encouragement, proposals of this nature would dry up the very springs of capital formation. Dealing with certain specific proposals in the budget, he said that a wealth tax on companies was a tax on productive capital and the imposition of such a tax would not only divert productive resources from the citizens' sector to the State sector, but would also act as a damper on corporate investment as well. With regard to the Expenditure tax, he expressed the view that a revolutionary measure of this nature should not be attempted, especially during the planning period. In conclusion, Mr. Kapadia hoped, with the other speakers who also gave unequivocal expression to the feelings of the commercial community, that there would be substantial modifications in the present proposals. In view of the expressed wish of the Union Finance Minister to retain the bias in favour of corporate investment, Mr. Kapadia had sufficiently good reason to hope for some modifications in the present proposals, such as dropping of the Expenditure Tax Bill and the wealth tax on companies, the elimination of the tax on bonus issues, and treatment of dividends as earned income. Even so the hoped for relief sounds too good to turn out to be true.

MYSORE'S FINANCES

YET ANOTHER State Government has come out with a deficit budget. This time, it is the first budget of the reorganised State of Mysore and, if only for this reason, it is difficult to make any comparative study. The only comparison that can be made is between the interim budget deficit figure of Rs. 1,197.96 lakhs and the present deficit of Rs. 935.99 lakhs. As against a total revenue of Rs. 5,092.95 lakhs, total expenditure for 1957-58 amounts to Rs. 6,028.51 lakhs, thus leaving a deficit of Rs. 935.99 lakhs. One would have expected that, at least in response to the repeated exhortations of the Union Government, the Planning Commission and the Prime Minister, Mr. Mariappa, the Finance Minister of Mysore would have come forward with proposals to cover this big revenue deficit. On the contrary, Mr. Mariappa has chosen not to announce any new taxation measures to cover the deficit and is content with reducing it by only about Rs. 2 crores, being the proceeds (during the current year) of the uniform taxation laws yet to be enacted by the State Government. The balance is proposed to be made from existing cash resources or borrowings. In the absence of details about the cash resources available with the State, it is not possible to indicate what portion of the remaining gap is likely to be accounted for by these cash resources. And, as regards borrowings, it is a moot point whether the State could afford to go on adding to its already heavy debt, as indicated by the sum of Rs. 505.37 lakhs towards debt services charges mentioned by Mr. Mariappa himself. In fact, it is these debt service charges and the total outlay on the second Five-Year Plan of the State during the year under review of Rs. 823.32 lakhs that together account for the deficit. Looked at from this point of view, i.e. the fact that at least in respect of the Plan expenditure, this may not continue indefinitely, there might appear to be same justification to leave the deficit practically uncovered.

Mr. Mariappa seems to think that there is no danger in adding to the public debt of the State because the money is spent in building up assets and on welfare measures. While it is no doubt true that productive expenditure which adds to the assets of the State is to be welcomed and the welfare of the people of the State ought to engage the primary and immediate attention of the Government, there is something like a safe limit beyond which the public debt of any State Government ought not to go. But in the circumstances in which he finds himself, Mysore's Finance Minister has probably no other alternative but to seek adequate assistance from the Central Government. It is to be hoped that the Finance Commission, which has already carefully gone into the financial position of the reorganised Mysore State, will make a suitable recommendation to the Government of India so as to place the finances of the new State on an even keel. Not only is there need for it, but the State Government fully merits such a gesture by reason of the measures it has promptly taken to effect economies as suggested by the Finance Commission. Even so, on a careful reading of the full text of the Mysore's Finance Minister's budget speech, one cannot help getting the impression that there is still sufficient scope for further economy. The redeeming feature of Mr. Mariappa's speech is that this has been accepted by him in as many words. One can appreciate, as Mr. Mariappa has said in this speech, that this could only be effected either by an expert or a person of considerable administrative experience appointed for this purpose. It is however a pity that he has not followed this observation with an announcement that the Mysore Government would shortly appoint such an expert for this purpose.

NATIONAL RAYON CORPORATION

THE PARAMOUNT need of the hour being a drastic cut in imports, every suggestion facilitating this merits serious attention. In his address as Chairman to the annual general meeting of the shareholders of the National Rayon Corporation, Mr. Kasturbhai Lalbhai drew attention to the increase in the quantity of foreign rayon yarn imported. He pointed out that during the nine months April to December, the imports of rayon yarn amounted to 47.62 million lbs. and he calculated that if the flow of imports continued at the same rate during the remaining three months of the financial year, the total imports together with the indigenous production of 30 million lbs. would raise the quantum of available supplies to about 93 million lbs. This, he said, would obviously be considerably in excess of the normal requirements of the weaving industry now estimated at around 45.50 million lbs. He also revealed that the landed cost of the foreign yarn was higher than the selling prices of indigenous products. It may be mentioned that imports of rayon yarn in India amounted to an average of over 36 million lbs. during the post-war years involving foreign exchange to the tune of around Rs. 15 crores per annum. Here is a field to which Government may turn its immediate attention and effect the necessary cuts in imports and see that the available stocks in the country are utilised properly.

The Chairman in the course of his address referred to the progress of the Corporation and pointed out how this included the further expansion of the main plant and the putting up of the caustic soda plant. The considerable experience gained in the working of the plant enabled them to open a special Designing and Engineering Department which had been responsible for the entire designing and engineering of the new expansion. Recently they had broadened the activities of this department and had obtained a licence from the Central Government for the manufacture of machinery for rayon, sulphuric acid, carbon-di-sulphide and caustic soda as well as water filtration and softening plants and auxiliary equipments. The Corporation had already made a beginning with the sulphuric acid plant and were in a position to offer a complete contact process unit on a turn-key-job basis. The Chairman also referred to the proposal to instal a rayon tire cord plant with an annual capacity of four million lbs. One of their Directors was already in the States exploring possibilities of obtaining credit under the deferred payments scheme of the Government. But indications so far seemed to be that it would be difficult to obtain credit for a period of seven years. This may involve perhaps persuading Government to make some changes in the conditions which would facilitate the obtaining of credit.

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THE BRITISH INDIA CORPORATION, LIMITED

The Audited Accounts for the year ending December 31, 1956 show that including income from Investments, and after making all the usual allowances, including the sum of Rs. 11,52,222 for depreciation, the profit for the year amounts to Rs. 28,05,105. To this has been added the sum of Rs. 50,00,000, previously reserved for taxation, which sum is not now required for that purpose.

As a result, the sum available, after providing Rs. 20,00,000 for future taxation and deducting the debit balance on the Profit and Loss Account brought forward from last year amounting to Rs. 27,36,584, is Rs. 30,68,521, which has been recommended to be disposed of in the following manner:

1. Transfer to Reserve for Bad and Doubtful Debts	Rs.	5,00,000
2. Transfer to Rehabilitation Reserve ..	„	5,00,000
3. Dividend for the year to 31st December, 1955, on the 8 per cent Cumulative Preference Shares,free of Income Tax ..	„	6,48,000
4. Dividend for the year to 31st December, 1956, on the 8 per cent Cumulative Preference Shares, free of Income Tax ..	„	6,48,000
5. Dividend for the year to 31st December, 1956, on the Ordinary Shares at 10 Naye Paise per share, free of Income Tax	„	6,50,000
6. Carry Forward to next Account ..	„	1,22,521
TOTAL	Rs.	30,68,521

A profit of Rs. 5,85,025 was realised on the sale of investments and this amount has been carried to Investments Reserve Account. The results for the year show an improvement on those of the two preceding years, when losses were sustained. Output and sales of the Corporation's Woollen Branches, and the trading results achieved, were satisfactory. The traditionally high quality of Lalimli and Dhariwal Woollen Goods was maintained and improved upon wherever possible, and the reception accorded by the market continued to be favourable.

BARAREE COKE COMPANY, LIMITED

The audited accounts of the Company for the half-year ended September 30, 1956, show, after changing depreciation of Rs. 18,000, a profit of Rs. 1,50,738. The balance of Rs. 45,399 brought forward from the previous half-year is added alongwith the transfer from Provision for Doubtful Debts of 20,136. The Adjustment in respect of Material in Processes as at 31st March, 1956 is Rs. 14,963. A sum of Rs. 866 has been written off for claims considered irrecoverable. Another sum of Rs. 80,000 has been provided for Taxation. The Directors have recommended a Dividend on the Share Capital of 5 per cent without any deduction for Income-tax payable by the Company, absorbing Rs. 6,000 and leaving a balance at credit of Rs. 90,370 to be carried forward to the next account.

Manufacture and despatches during the half-year were as follows:

		Manufactured		Despatched
Coke	Tons	29,481	Tons	30,058
Tar and Pitch . . .	„	1,365	„	1,338
Sulphate of Ammonia .	„	164	„	1,338
Benzol	Galls.	3,045	Galls.	6,995

BENGAL FLOUR MILLS CO. LTD.

The Directors of the Company submit the audited accounts of the Company for the year ended December 31, 1956. The profit for the year, including items relating to previous years, after providing for taxation and depreciation, was Rs. 5,13,605 to which is added provision for taxation in excess of ascertained liability Rs. 1,46,444 and balance brought forward from 1955 Rs. 76,830 making a total of Rs. 7,36,879. Out of this total, the Board paid an interim dividend of 11¼ per cent on October 22, 1956, amounting to Rs. 1,35,000. The Board has transferred Rs. 1,46,000 to tax contingency reserve and Rs. 2,00,000 to general reserve, leaving a balance of Rs. 2,55,879 available for distribution, which it is recommended be dealt with as follows:

To final dividend of 13¾ per cent absorbing Rs. 1,65,000 and leaving balance to be carried forward of Rs. 90,879. The tax contingency reserve has been strengthened to increase the provision for the future tax liability which will arise as a result of the special depreciation allowances on new plant.

From September 1956 onwards, Mills in Calcutta were not permitted to use indigenous wheat and were solely dependent on allocations of imported wheat by Government. Towards the end of the year measures of restricted flour milling were introduced to overcome the scarcity and high price of residual 'atta' in the Calcutta market. In an endeavour to assist the West Bengal Government the Company increased substantially the extraction of residual 'atta' resulting in an almost equal reduction of flour. This action contributed greatly towards making 'atta' available to the public at reasonable prices.

Considerable new milling plant was installed during the year which has not only improved the quality of the finished products and increased the overall capacity of the mills, but has enabled the mills to run much more economically and with greater flexibility.

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Applications should be in a special form obtainable from any office of the Reserve Bank of India. All the applications should be accompanied by copies of certificates regarding age and educational qualifications and two testimonials (originals should not be sent, the Bank does **NOT** accept responsibility for returning the originals if sent through oversight) and should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay, so as to reach him on or before Saturday the 13th July 1957. **Candidates already in service must submit their applications through their employers.** Candidates belonging to the Scheduled Castes/Scheduled Tribes should mention this fact prominently on their applications and also enclose a copy of certificate to that effect from a competent authority.

Applicants must remit along with their applications an application fee of Rs 7.50 (Rs 1.75 in the case of Scheduled Castes' Scheduled Tribes' Candidates) by Postal Order, **Cheque or Bank Draft on a Scheduled Bank payable at Bombay.** The application fee is in no case refundable. Bonafide **unemployed** Refugee candidates applying through any of the Government Employment Exchanges are exempted from payment of the application fee.

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Company Meeting

THE NATIONAL RAYON CORPORATION LTD.

Speech of the Chairman, Shri Kasturbhai Lalbhai

The following is the speech delivered by Shri Kasturbhai Lalbhai at the Tenth Annual General Meeting of the Company held on 13th June, 1957.

Gentlemen,

I have great pleasure to welcome you here this afternoon and to present to you for adoption the Tenth Annual Report and the audited Statement of Accounts of your Company. The Report and the Statement of Accounts for the year ended the 31st December, 1956, have been in your hands for over a month now, and so I hope, with your permission, I can take them as read. The Report covers fairly fully all the salient points with regard to the working of the Company during the year under review, and I do not, therefore, propose to traverse the same ground again. I would, however, like to make a few observations on some items in the Statement of Accounts.

You must have noticed from the Balance Sheet that the net block has increased by Rs. 201.50 lakhs to Rs. 681.21 lakhs. This increase is accounted for, in the main, by the further expansion of the main plant and the putting up of the Caustic Soda Plant. The sales effected by your Company during the year of Report were of the order of Rs. 422.38 lakhs, while the gross profits amounted to Rs. 144.94 lakhs, as against Rs. 342.50 lakhs and Rs. 103.29 lakhs, respectively, in the preceding year.

The amount of Excise Duty of Rs. 80,221 shown in the Profit and Loss Account needs explaining. It represents the difference between the Excise Duty paid to the Government for the month of December 1956, and that recovered from the customers. The amount of Rs. 1,32,529 shown in the Profit and Loss Account under the head of "Miscellaneous Income in respect of previous years" is the refund of insurance premium which became due to the Company following the fixing up of these rates by the Fire Insurance Association, with retrospective effect.

Since the publication of the Report, the Government of India have published draft Rules with regard to the new provision made in the Income Tax Act for deposits with the Reserve Bank of India of a portion of the Company's reserves not represented by assets and undistributed profits. Certain provisions thereof need still further clarifications, but as far as we can make out of the proposed Rules and Amendment of the relevant section of the Income Tax Act, your Company may not, in fact, be required to deposit any amount with the Reserve Bank of India this year. You must also have noted that the Government have proposed to increase the rates of Income Tax and Corporation Tax. I believe, the provision made in the accounts for payment of taxes is adequate to take care of this increase in incidence. However, the proposed increase will affect your Preference shareholders, inasmuch as it will reduce the net amount of dividend payable on the taxable Preference shares of the Company. This would necessitate a slight change in some items of appropriations. I am, accordingly, amending suitably the usual Resolution for the adoption of the Report and the Statement of Accounts.

The new taxation proposals announced on the 15th May last have evoked considerable criticism throughout the country. I will only refer to those proposals which affect our Company along with other industries. It is a recognised fact that for some years past industrial enterprise in India has been handicapped by lack of adequate capital, and whatever expansion has taken place in recent years has been made possible by prudent and conservative ploughing back of the annual profits. The increased Income Tax and Corporation Tax, the imposition of Wealth Tax on companies and the substantial addition to the tax on bonus issues, will have the cumulative effect of causing a heavy drain, year by year, on the resources of companies. I take this opportunity of earnestly appealing the Government that in order to maintain the tempo of industrial development in the country, they should reconsider these proposals with a view to ensuring adequate financial resources for companies and to stimulate further fresh investments in industry.

You might have noticed in the Report that it is proposed to install a Rayon Tire Cord Plant with an annual capacity of four million lbs. In this connection, I am happy to inform you that one of your Directors Shri R. J. Chinai, is already in the States, exploring possibilities of obtaining credit, of course, within the framework of the Government's new policy of deferred payments, as also acquiring the equally important 'know-how'. His negotiations, both in the States and on the Continent, indicate that it is difficult to obtain credit for a period of seven years.

Our application for additional capital to partly finance the new project by the issue of equity shares, in the proportion of one for every two of such shares held by the shareholders, is pending with the Controller of Capital Issues, New Delhi.

On account of the closure of the Suez Canal for steamer traffic for about six months since October last year, many of the shipments were delayed thereby upsetting to some extent the installation work and the production schedule of our expansion programmes. As a result of the Suez episode, the freight bill on capital goods and on imported raw materials went up.

It is evident that there has been an increase in the quantity of foreign yarn imported. During the nine months. April to December, the imports of Rayon Yarn amounted to 47.62 million lbs. If the flow of imports continues at the same rate during the remaining three months of the financial year, the total imports, together with the indigenous production of 30 million lbs. would raise the quantum of available supplies to about 93 million lbs. which is considerably in excess of the normal requirements of the Weaving Industry in the country, now estimated at around 45-50 million lbs. The landed cost in the case of 150 deniers, on the basis of the present quotations of foreign manufacturers, comes to Rs. 3-11-0 as against the price for NRC, namely, Rs. 3-6-0 per lb. The Indian Units, which have been concentrating on the production of the most popular deniers of 150 and 120, are in a position to meet the entire demand in these deniers estimated at over 50 per cent of the total requirements of the Weaving Industry.

As hitherto, the coal position continues to be unsatisfactory, and wagons for transport from the coal pits are still not being made available in sufficient numbers. The authorities both at Calcutta and at Bombay, are being constantly requested to make satisfactory arrangements in this connection.

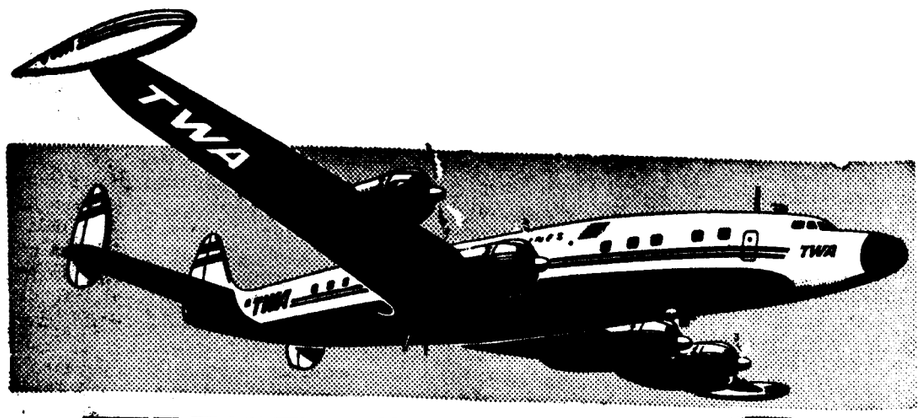
The increased requirements of electric power for our expansions were met when the Trombay Plant went into commission. We are now not drawing any electric energy from the Power Pool at the higher rate. Our additional requirements, consequent upon the launching of further frames and Caustic Soda Plant, have already been applied for, and it is hoped, they would be met by the Power Companies in full.

It will interest you to know that the considerable experience gained in the working of our Plant has enabled the management to open a special Designing and Engineering department, which has been responsible for the entire designing and engineering of the new expansions. In the result, we have been able to get quite a few items locally fabricated, thereby effecting considerable saving on the total equipment, using our own materials, training our own engineers in the process, and, lastly, conserving some valuable foreign exchange. Recently, we have broadened the activities of this department, and have obtained a licence from the Central Government for the manufacture of machinery for Rayon, Sulphuric Acid, Carbon-di-sulphide and Caustic Soda as well as Water Filtration and Softening Plants and Auxiliary Equipments. We have already made a beginning with the Sulphuric Acid Plant, and are in a position to offer a complete Contact Process Unit on a turn-key-job basis.

You will agree with me that in an organisation of our type, it is necessary to have a well-equipped Research Department to keep in line with the changing techniques. This department will be mainly concerned with manufacture of Viscose Yarn and Rayon Tire Cord on a Pilot Plant scale. Again, as our Caustic Soda Plant, which will go into operation shortly, will release a fairly large quantity of Chlorine, research work is proceeding apace, with a view to its practical use, and this may lead to the production of such Chlorine compounds as can be readily and profitably marketed. Laboratory experiments carried on in this respect are quite successful, and Pilot Plants are being put up to carry on further research in this direction also.

The Employees' State Insurance Act, as you may be aware, confers on workers, among other benefits, medical and maternity benefits, and these are proposed to be made available to the members of workers' families. The Government propose to meet the additional cost by increasing the rate of employer's contribution from 1¼ to 3½ per cent. While higher and higher charges are levied from Industrial concerns, as far as workers are concerned, they do not get the services which Companies like ours have been rendering to them. Efforts, legislative and otherwise,towards the creation of sound industrial relations and a due recognition of the human factor in industry are, no doubt, welcome.

Before I conclude, may I express my sincere appreciation of the very good work put in by the workers and staff, technical and non-technical alike, but for whose efficiency, loyalty and co-operation, it would not have been possible to make the progress that we have already achieved.



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COMMODITY NEWS AND NOTES

FINAL ESTIMATES OF MAJOR MILLETS (JOWAR AND BAJRA) FOR 1956-57

According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the all-India final estimates of major millets, viz., 'jowar' and 'bajra' for 1956-57, put the total area and production at 68,856,000 acres and 10,353,000 tons respectively, as against the partially revised estimates of 70,928,000 acres and 9,981,000 tons for 1955-56. This shows a decrease of 2.9 per cent in area and in increase of 3.7 per cent in production during the current year as compared to the previous year. The decrease in acreage under 'jowar' during the current year has occurred mainly in Rajasthan, Madhya Pradesh, Mysore, Andhra Pradesh and Bombay, and decrease in area under 'bajra' mainly in Bombay, Punjab and Rajasthan. Despite the decrease in area, there is an increase in the production of 'jowar' during the current year. The increase in the production of 'jowar' has occurred mainly in Bombay, Madhya Pradesh and Uttar Pradesh. There has, however, been a decline in the production of 'bajra' during 1956-57. This decline has occurred mainly in Rajasthan, Punjab and Uttar Pradesh.

RICE EXPORT FROM BOMBAY PROHIBITED

The Government of India has issued a notification prohibiting the export of rice, including paddy, from Greater Bombay to any outside area except under permits by the Bombay Government.

The import of rice from outside into Bombay city will still be permissible. This is intended to safeguard the supply position of rice in Bombay city and stabilise the prices at a reasonable level.

By another notification the Government of India has prohibited the export of wheat products (maida, suji, rawa, whole-meal atta and resultant atta) from Greater Bombay to any place outside it, except under permits to be issued by the Bombay Government.

This would ensure larger supplies of wheat products in Bombay city. The areas which have been traditional recipients of wheat products from Bombay city will, however, be supplied reasonable quantities on export permits.

COFFEE EXPORTS

The latest revised estimate of 1956-57 season's crop stands at 41,565 tons made up of 21,845 tons Arabica Plantation, 7,010 tons Arabica Cherry and 12,710 tons Robusta. The preliminary estimate of next season's crop is placed at 35,750 tons made up of 23,170 tons Arabica and 12,580 tons Robusta. The deliveries of Robusta to the pool so far have established a surplus for export of 1,450 tons. It was decided to recommend for export a further quantity of 1500 tons comprising o 1,000 tons Plantation and 500 tons Arabica Cherry provided the anticipated pool receipts were realised in full.

PULP OUTPUT RISES

Woodpulp production in Canada in April and in the first four months of this year gained marginally over 1956. Domestic consumption was also ahead, but exports declined slightly.

April output totalled 831,493 tons this year and 849,794 tons in 1956. Domestic consumption was 634,267 tons, compared with 657,301 tons last year, and exports were 187,253 tons, against 187,574 tons in 1956.

Production in the first four months totalled 3,522,321 tons and included 1,586,172 tons of chemical pulp and 1,908,621 tons of mechanical pulp. This compares with last year's total of 3,430,593 tons, which included 1,553,382 tons of chemical and 1,844,618 tons of mechanical.

Domestic consumption to the end of April was 2,726,203 tons, against 2,637,122 tons for the corresponding period last year. At the same time, exports were off slightly at 747,294 tons, compared with 765,705 tons in 1956.

CEYLON TEA AND RUBBER

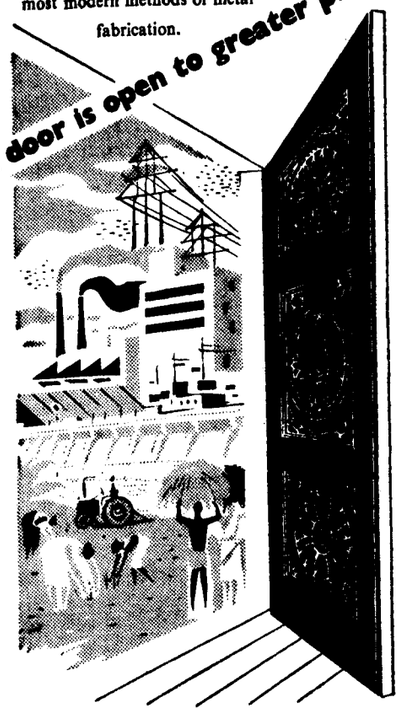
The Tea Controller states that during April, Ceylon's tea production amounted to 37,198,848 lbs.

Production for the period January to April, amounted to 143,134,607 lbs. compared with 134,241,361 lbs. produced in the corresponding period of 1956.

According to statistics released by the Rubber Controller, Ceylon produced 7,317 tons of rubber in April, which brings production for the period January to April, 1957, to 26,408 tons.

Exports for the period January to April totalled 35,767 tons.

Stocks of rubber at the end of April amounted to 22,298 tons and were comprised of 11,525 tons with producers, 3,495 tons with dealers. 629 tons with manufacturers, 1,101 tons with shippers and 87 tons under Customs.

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
November „ c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82 0	122.9
December „ c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100.0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February „ c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March „ c ..	402·7	518·1	403.3	384.1	569.8	421.3	89.9	98.9	79 8	111.5
April „ c ..	408.3	514.73	400.0	384 3	567.8	422.1	89.9	99.0	78.7	106.8
May „ c ..	418.7	536.3	406.5	387.6	572.3	439.9	—	—	—	—
6-4-1957 ..	403.4	514.7	398.8	384·0	564.6	420.2	90.0	98.9	78.9	107.5
13-4-1957 ..	406.1	513 6	399.6	384·1	565.9	421.2	89.9	99.0	78 7	106.8
20-4-1957 ..	411·1	516.4	400.4	384.1	568.5	423.3*	90.0	99.0	78.4	107.0
27-4-1957 ..	411.6	514.0	401.4	384.6	570.6	423.5	90.0	99.0	78.5	106.4
4-5-1957 ..	401.4*	531.0*	401.9	384·2	573·6	422.7	90.0	99.1	78.6	105.7
11-5-1957 ..	419.0	534.4	401.8	384.6	570.7	428.9	90.0	99.1	78.6	105.5
18-5-1957 ..	423.7	540.6	410.0	390.0	572.9	434.7	89.9	99.1	78.5	103.7
25-5-1957 ..	430.9	539.2	412.30	390 7	571.6	437.3	—	—	—	—

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
							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	336	352	244	142	347	424	—	—	356	—	—	145
1956 May	341	357	236	141	342	408	396	153	356	149	144	143
June	342	358	240	141	350	419	400	156	365	151	146	146
July	338	354	244	144	365	436	400	153	369	153	148	148
August	344	361	253	147	368	445	403	154	372	154	151	150
September	336	352	256	149	366	445	403	153	368	151	156	149
October	342	358	261	152	364	449	407	153	362	153	153	149
November	340	356	261	154	361	446	407	154	369	157	153	152
December	340	356	259	151	356	436	407	156	370	157	149	150
1957 January	339	355	252	150	354	438	411	156	372	157	144	149
February	341	357	253	150	350	435	411	158	369	157	148	148
March	340	356	254	150	..	433	—	—	367	—	—	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

1956	WEEK ENDED											
	24-5-1957			17-5-1957			10-5-1957			3-5-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola) ..	112- 2	108-12	110-12	110- 1	107 15	108-14	108- 6	105- 9	106-13	105-15	104-15	105- 8
Silver (per 100 fine tolas)	190-12	186- 0	188- 9	186-11	185- 0	185-16	186- 1	182- 6	183-15	183-13	182- 0	182-14

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39* ..	182,36	28,28	210,64	44,42	66,95	111,37	52·91	67,11	32,16	210,64
1947-48* ..	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49* ..	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50* ..	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51* ..	1,163,21	17,19	1,180,40	40,02	624,70	690,36	56.31	57,21	458,47	1,180,40
1951-52* ..	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,63
1952-53* ..	1,114,84	27,87	1,142,72	40,02	564,40	604,02	52.89	80,22	458,08	1,142,72
1953-54* ..	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55* ..	1,196,19	22,98	1,219,18	40,02	648,81	689,83	56.58	102,26	428,09	1,220,18
1955-56* ..	1,339,39	17,08	1,356,47	40,02	656,52	696,54	51.35	106,87	553,06	1,356,47
Average of Fridays										
May 1956 ..	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	1,492,26	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	44.43	114,06	702,66	1,467,41
September „ ..	1,424,89	28,54	1,453,43	40,02	594,24	634,26	43.64	117,99	701,18	1,453,43
October „ ..	1,429,31	21,34	1,450 65	40,02	531,85	571.87	39.42	120,18	700,30	1,450,65
November „ ..	1 443,67	16,72	1 460,39	117,76	460,22	577,98	39.58	121,92	760,48	1,460,19
December „ ..	1,465,63	8,76	1,474 39	117,76	447,30	565,06	37.93	123,93	785,35	1,474,39
Week Ending										
19-4-1957 ..	1,569,11	12,38	1,581,49	117,76	412,52	530,28	33 8	126,30	924,90	1,581,49
26-4-1957 ..	1,561,91	20,57	1,582,48	117,76	412,52	530,28	33.7	127,30	924,90	1,582,48
3 5-1957 ..	1,577,11	9,04	1,586,15	117,76	412,52	530,28	33.3	126,00	929 87	1 586,15
10-5-1957 ..	1,595,36	9,87	1,605,23	117,76	412,52	530,28	33.0	125,08	949,87	1,605,23
17-5-1957	1,590,23	15 17	1,605,40	117,76	412,52	530,28	33.0	125.25	949 87	1,605,40

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities†	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39* ..	14, 90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1·72	2	6,36	90
1947-48* ..	366,79	16,93	102,47	34.21	520,40	14,55	544,96	47,24	2.62	406.95	1·57	21	81,53	4,85
1948-49* ..	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1·71	3,34	75,65	4,14
	(14,33)	(3.04)									(1)			
1949-50* ..	141,19	23,12	67.00	64,39	295,69	15,76	321,45	24,12	4,30	280.91	3·35	8,39	960,54	4,34
1950-51* ..	148,60	17,71	62,22	62,29	290,82	8,14	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	33,69	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	33,91	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	33,62	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	45,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
Average of Fridays														
May 1956 ..	61,44	10,27	50,36	13,04	135,11	63,24	198,35	13,48	9,79	35,69	2,36	81,42	37,02	18,61
June „ ..	56,43	8,33	51,93	12,97	129,66	67,81	197,46	22,42	8,9	31,55	3,95	73,97	37,76	18,89
July „ ..	66,46	8,06	52,39	12,23	139,14	57,81	196,96	27,03	5,19	43,55	4,02	63,43	45,80	7,93
August „ ..	59,23	5,89	52,88	12,16	130,15	44,03	184,18	27,46	2,52	31,39	7,03	57,43	49,84	8,52
September „ ..	67,77	19,82	53,77	14,67	156,02	50,76	206,79	28,72	5,01	30,52	4,02	82,18	44,68	11,66
October „ ..	54,27	12,14	50.17	12,80	130,15	114,31	243,69	21,49	6,02	64,32	4,04	87,90	48,05	11,87
November „ ..	54,25	21,62	52.73	13,24	141,84	140,00	281,83	16,92	5,07	92,05	1,42	86,38	67,53	12,45
December „ ..	54,21	10,67	54,03	13,75	132,69	134,56	277,43	8,94	6,55	84,23	6 44	93,47	60,90	19,09
Week Ending														
19-4-1957 ..	51,41	5,56	71,89	74,54	203,40	149,05	362,45	12,53	10,01	99,83	15,17	98,80	112,90	13,20
26-4-1957 ..	52,83	6,38	67,60	75,13	201,95	151,82	363,77	20,73	12,48	92,39	16,27	98,24	112,42	13,24
3 5 1957 ..	51,81	4,26	64,06	76,02	196,16	156,41	362,56	9,16	7,81	83.90	15,72	105,31	127,14	13,51
10-5-1957 ..	54,92	2,11	59,66	84,71	201,40	152,47	363,87	9,98	7,30	74,07	19,23	113,71	125,90	13,67
17 5-1957 ..	49,87	3,98	62,55	85.30	200.79	153,31	364,10	15,33	2,32	65,07	20,69	119,73	127 30	13,56

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Funnd. † Includes 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.

JUTE STATISTICS

JUTE CROP FORECASTS
(Government of India & East Bengal)

	Prelim. Area (000) acres	Final Forecast		
		Area (000 acres)	Crop (000 bales)	Bales per acre
1953-54 Total	20,58	19,56	56,32	2.88
East Bengal	7,89	7,60	25,03	3.29
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
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	16,35	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
1956-57 Total	..	..	..	..
East Bengal	..	..	..	..
West Bengal	6,21	7,41	15,20	2.05
Rest of India	10,13	11,42	27,01	2.37

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	8,65.7
1954-55 ..	3,99.2	5,57.5	9,04.8
1955-56 ..	4,03.0	6,22.9	10,95.0
1956 April ..	32.9	55.0	93.1
May ..	35.8	59.6	101.7
June ..	35.0	57.3	98.9
July ..	34.3	52.9	94.1
August ..	35.4	48.2	89.6
September ..	35.5	43.8	84.5
October ..	34.7	40.5	80.4
November ..	36.8	41.8	83,8
December ..	37.7	41.3	84 9

SUPPLY AND DISTRIBUTION OF JUTE
1954-55 & 1955-56

Supply	1956-57 lakh bales	1955-56 lakh bales.
OPENING STOCKS—		
I. J. M. A. Mills godown stocks		
a. West Bengal Mills	9.84	9.70
b. Mills outside West Bengal (estimate) ..	0.39	0.38
Indian Carry Forward (estimate)	2.47	1.79
Pakistan Carry Forward (estimate) ..	3.30	5.40
	16.00	17.27
Indian Union Jute crop (trade estimate) ..	52.80	52.70
Pakistan crop (Trade estimate)	71.40	66.40
Total Supply ..	140.20	136.37
DISTRIBUTION :-		
Mill Consumption :-		
1. I. J. M. A. Mills (estimate) ..	60.00	64.28
2. Outside Mills (estimate) ..	2·20	2.33
	62.20	66.61
Indian Domestic Consumption (estimate) ..	2.00	2.30
Pakistan Exports Overseas (estimate) ..	40.00	43.26
Pakistan Dtic Consumption omes(estimate) ..	11.00	9.63
Total Distribution ..	115.20	121.77
Carry over at end of season ..	25.00	14.60

(R) Revised.

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 B. Twill (Ready)
		Middle	Bottom	Middle	Bottom			
		Rs. per md.		Rs. per md.		Rs. per bale	Rs. per 100 yds.	Rs. per 100 bags
		Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
1956								
3rd	December	34 0	31 8	40 8	37 8	220 0	46 1	120 4
10th	,, ...	35 0	32 8	41 0	38 0	225 0	46 5	122 0
17th	,, ...	36 8	34 0	45 0	42 0	235 0	47 11	124 0
24th	,, ...	34 8	32 0	44 8	41 8	230 0	46 10	119 14
31st	,, ...	34 8	32 0	44 0	41 0	225 0	46 10	119 2
1957								
2rd	January	34 8	32 8	44 0	41 0	225 0	46 4	120 4
7th	,, ...	34 8	32 0	43 8	40 8	225 0	45 6	119 4
14th	,, ...	35 8	33 0	43 8	40 8	230 0	45 8	119 14
21th	,, ...	35 0	32 8	44 0	41 0	235 0	44 13	118 6
28th	,, ...	34 8	32 0	43 0	40 0	230 0	43 14	116 10
4th	February	33 0	30 8	40 0	37 0	230 0	43 4	125 8
11th	,, ...	31 0	28 8	38 0	35 0	215 0	41 1	113 2
18th	,, ...	30 8	28 0	36 8	33 8	210 0	41 7	114 4
25th	,, ...	31 0	28 8	37 0	34 0	210 0	40 12	108 12
4th	March	30 8	28 0	37 0	34 0	210 0	39 13	107 12
11th	,, ...	31 8	29 0	38 8	35 8	220 0	40 8	111 8
18th	,, ...	31 0	28 8	38 8	35 8	215 0	40 2	109 8
25th	,, ...	31 0	28 8	38 0	35 0	215 0	40 9	109 12

INDEX NUMBERS OF WHOLESALE PRICES IN INDIA DURING 1956-57
(Base: Year ended August 1939 = 100)

	1955-56	1956-57	March	April	May	1956 June	July	August
I. Food Articles	313.2	388.5	351.6	360.9	350.5	366.2R	380.6	397.0
Cereals	372	499	439	461	449	470	485	504
Pulses	289	397	373	357	358	359	378	397
Others	235	247	233	234	224	236	248	259
II. Industrial Raw Materials	419.8	501.9	475.6	472.8	478.0	479.4	492.3	500.5
Fibres	429	483	471	459	455	461	477	474
Oilseeds	398	558	511	529	550	540	534	569
Minerals	427	508	453	446	451	446	513	509
Others	431	421	406	394*	413	429	420	424
III. Semi-Manufactures	338.2	402.3	369.8	377.4	384.1	391.8	395.2	406.4
Leather	378	409	408	409	404	404	395	381
Mineral Oils	207	209	208	208	208	208	208	208
Vegetable Oils	389	582	489	528	557	555	545	590
Cotton Yarn	422	487	452	457	474	476	477	495
Metals	264	318	282	282	280	308	327	329
Oilcakes	338	447	379	419	406	421	433	474
Others	336	366	364	362	361	361	362	361
IV. Manufactures	372.9	384.6	374.8	375.8	376.9	377.9	386.0	388.1
Textiles	408	416	408	409	411	411	419	421
Jute	418	416	410	398	390	387	387	395
Cotton	430*	426*	403*	408*	414*	418*	430*	431*
Rayon and Silk	485*	455*	502*	502*	493*	463*	461*	470*
Woollen	284	265	278	264	264	264	264	266
Metal Products	359	386	371	371	371	376	390	390
Others	285	294	285	286	286	286	291	293
V. Miscellaneous	546.4	559.3	508.1	496.7	501.8	518.6	560.4	565.3
All Commodities	360.4	414.0	387.4	391.3	390.3	398.0	409.2	418.6

	Sept.	Oct.	Nov.	1956 Dec.	Jan.	Feb.	1957 March	April
I. Food Aricles	393.1	392.5	411.6	413.9	392.1	406.0	402.7	408.3
Cereals	509	510	530	532	491	526	528	536
Pulses	394	386	413	427	429	439	440	418
Others	248	247	262	262	257	251	243	249
II. Industrial Raw Materials	507.0	502.4	514.0	516.8	525.0	520.5	518.1	514.7
Fibres	481	479	497	499	507	503	505	508
Oilseeds	575	557	564	568	582	574	559	555
Minerals	524	539	528	531	530	546	552	512
Others	423	421	428	434	435	415	414	416
III. Semi-Manufactures	408.3	405.6	416.3	417.5	412.4	410.6	403.3	400.0
Leather	373	396	439	443	433	422	410	398
Mineral Oils	207	210	210	209	210	210	210	211
Vegetable Oils	588	576	616	632	623	611	577	567
Cotton Yarn	504	493	501	499	492	488	484	483
Metals	329	326	327	327	328	328	328	328
Oilcakes	482	470	483	484	441	445	419	409
Others	361	362	362	363	362	388	385	375
IV. Manufactures	391.8	387.9	387.6	386.9	387.4	385.5	384.1	384.3
Textiles	427	420	419	418	417	413	410	410
Jute	427	426	446	459	450	429	412	416
Cotton	430*	426*	421*	415*	414*	414*	414*	412
Rayon and Silk	470*	429*	421*	429*	442*	442*	442*	442
Woollen	266	266	266	266	266	266	266	266
Metal Products	390	390	390	390	394	392	392	392
Others	295	295	296	297	298	301	302	305
V. Miscellaneous	567.1	585.2	590.5	590.3	592.7	585.2	569.6	567.1
All Commodities	419.9	417.8	427.7	428.8	422.3	425.0	421.3	422.1

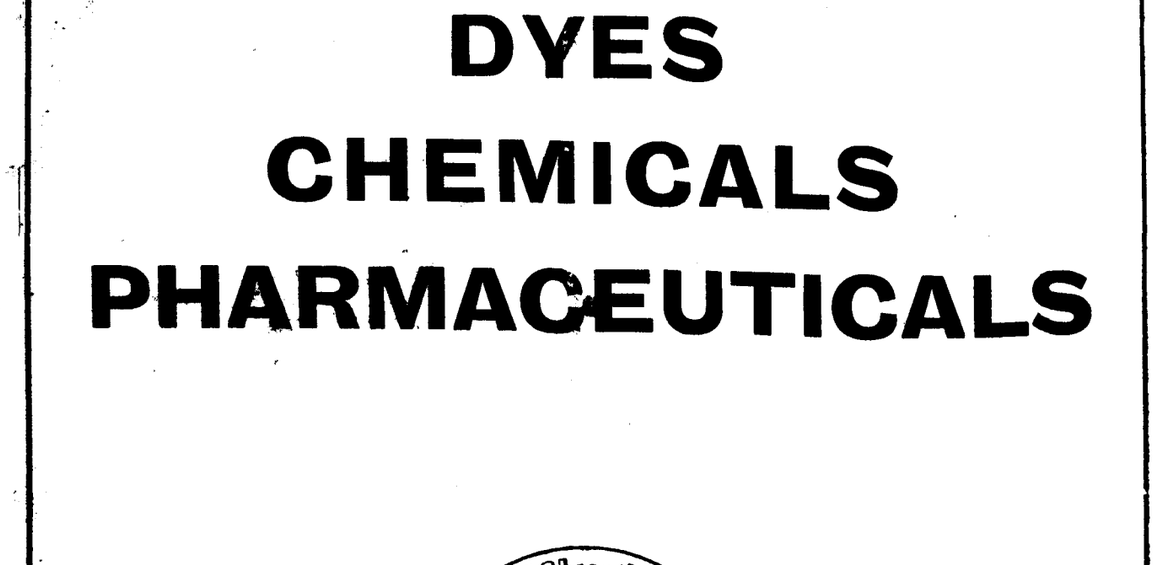
* = Estimated

Source: The Economic Adviser to the Govt. of India.

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Searchlight on Hungary

THE report of the United Nations General Assembly's five-nation Committee on Hungary released on June 20 is a grim narration of the brutal suppression of the Hungarian revolt last autumn by the Soviet Union. The Committee has come to the conclusion that Russia resorted to "massive armed intervention" for crushing "a spontaneous national uprising" in Hungary and for "overthrowing a legally established Hungarian Government". The Committee has further unequivocally observed that "there has been no evidence of popular support for Mr. Janos Kadar's Government" which "has preceded step by step to destroy the power of the workers and their councils". The report registers the Committee's conviction that there was no legal basis for the Soviet intervention on November 4, or at any time prior to that. Nor was Soviet intervention undertaken at the invitation of any legally constituted Hungarian Government. At that time Mr. Imre Nagy was the Prime Minister. Mr. Janos Kadar's Government did not take its oath of office until three days after and there is evidence which strongly suggests that he and his colleagues were actually in Moscow, and not in Hungary, at the time of the Soviet aggression. In addition, Mr. Nagy himself appealed, at a time when he demonstrably enjoyed real support of the Hungarian people, to the United

Nations to address itself to the needs of Hungary. The Soviet abduction of Mr. Nagy from Yugoslav protection also illustrates the degree of Mr. Kadar's "subordination to the Soviet forces". "Having taken over Hungary by armed intervention, the Soviet authorities were compelled by reason of the administrative vacuum to administer a country whose popularly supported Government they had overthrown".

The Committee has also incontrovertibly refuted the Russian thesis that the uprising was "fomented by reactionary circles in Hungary" and was "aided and abetted by Western imperialists". From start to finish the uprising was, the Committee has observed, led by students, workers, soldiers and intellectuals, many of them Communists or ex-Communists. Their main political demands "included a stipulation that democratic socialism should be the basis of the Hungarian political structure" and that such "social achievements" as land reforms should be safeguarded. "At no time was the proposal made for the return to power, or to the Government, of any figure associated with the pre-war days". What did take place in Hungary in the fateful autumn of 1956 was a spontaneous national uprising, fanned by long-standing grievances such as Hungary's satellite status, Russian exploitation and the unlimited power of the political police. The Committee is convinced that the numerous accounts of inhuman treatment and torture by the political police "are to be accepted as true". On the evidence placed before it, the Committee is also convinced that numerous Hungarians, including women, had been deported to the Soviet Union.

There is also "no evidence of advance planning of the uprising", its entire course bearing the "hallmark of continuous improvisation". On the contrary, the Soviet authorities had taken steps as early as October 20 to resort to armed intervention. The Committee records that "evidence exists of troop movements from that date on", though no clause of the Warsaw Pact, which was later invoked by Russia in self-justification, provides for intervention by armed forces of the Soviet Union to control political developments within the frontiers of any of its signatories. Moreover, three days earlier, Mr. Imre Nagy, the Prime Minister, had renounced the Pact and appealed to the United Nations to safeguard Hungarian neutrality. The Soviet "reponse" was immediate, decisive and brutal: its tanks and armoured divisions thundered into the beleaguered capital of Hungary. The free world stood gaping. As has been aptly put, it thought only of sharing in the triumphs, and not the trials, of the Hungarian people. Vacillating and hesitant, it showed itself lacking in moral courage and amazingly inactive. Hungary was battered and re-Sovietized in a few days. Thus ended its short-lived, though glorious, struggle to escape the Russian bear's embrace. The Committee's record of the events from October 23 to November 4 and after is the ghastly tale of a rape committed in the presence of those who could prevent it, and did not.

The Committee has made a signal contribution to the cause of justice by its impartial and exhaustive investigations and penetrating analysis. For sources of its information, the Committee examined copious documents, and in several languages. It recorded voluminous testimony from over a hundred witnesses who were in a position to render first-hand account. They represented a wide cross-section. Among persons examined were both Communist and non-Communist intellectuals; professors of law, medicine, philosophy and history; high school students; members of the Hungarian armed forces; and both skilled and unskilled workers. Eight of these witnesses had themselves been deported to the Soviet Union, but had escaped or been returned; other witnesses had been liberated from deportation trains. The witnesses were, according to Mr. R. S. S. Gunwardene, a trained jurist and a Ceylonese member of the Committee, subjected to so close a scrutiny and such a severe cross-examination that some of them accused the members of the Committee of being Communists.

The Kremlin has in accordance with its set policy, and not unexpectedly, described the Committee's report as "a collection of lies" prepared from the testimony of "political adventurers, common criminals, and traitorous refugees". Its propagandists have also challenged the validity of the very existence of the Committee which they assert was "illegally constituted" and trained for months for "fabricating and drafting various slanders". The Soviet Government would have the world believe that the Committee's activity constitutes "interference into the domestic affairs of Hungary"!

Russia's reason for indulging in these diatribes is obvious. It would have the Hungarian tragedy categorized as but another sordid incident in the cold war. It is not necessary to be a student of Soviet affairs to wonder why, if the Russian Government was so sure of its "innocence", it did not allow enquiry and investigation on the spot. It is on record that the Committee was constituted only *after* the Soviet Union had ignored the United Nations resolutions calling for withdrawal of Soviet troops from Hungary and *after* Mr. Janos Kardar's regime had refused to permit Mr. Hammerskjeold to visit that unfortunate country. Again, in line with this pose of innocence, the puppet Hungarian Government of Mr. Kadar felt shy of meeting the Committee. Is more circumstantial evidence required to suggest skeletons in the Russian cupboard?

The composition of the Committee provided the fullest guarantee of an impartial and objective investigation. The chairman was a Dane, coming from a country forcibly occupied in World War II by the Nazis and, to that extent, least likely to be prejudiced in favour of Fascism. It included one representative of Ceylon, an uncommitted country, and another of Tunisia, generally held above bias against Russia. Uruguay, from Latin America, known for its consistently democratic traditions, was also represented, and its rapporteur was an Australian. Assuming that Denmark, Uruguay and Australia were susceptible to influences of the cold war, Mr. Banderanaike's Ceylon, and Mr. Bourguiba's Tunisia can certainly not be tarred with the brush of partisanship. To accuse them of lack of independence and impartiality, as Russia has done, would be to insult these small but proud nations. These countries are not, and have not been, involved in power politics.

The report needs and deserves to be read by all who feel concerned for truth. It is more than a record of the fate of the people. An unmitigated condemnation of Soviet Russia, the report also constitutes a severe indictment of inadequacy, unpreparedness and grave hesitation of those from whom Hungary had every right to expect help. Denied help, and with their backs to the wall, the Hungarians went down fighting, blazing a new trail for freedom-fighters for all times to come.

Problems of Rural Credit

A RECENT statement of the Finance Minister in the Lok Sabha that he proposes to transfer to the State Bank some of the functions of the Reserve Bank which are in the nature of "pure commercial or co-operative banking" has lent a freshness to the whole question of rural credit. This statement, seen in the context of a report that a high-power committee is now investigating a proposal that the State Bank should take over the function of supplying agricultural credit, seems to indicate that certain far-reaching changes are in the offing in the banking structure in this field. There is no doubt that this will be the signal to raise a first-class controversy as to the relative roles of the Reserve Bank and the State Bank vis-a-vis rural credit.

By a coincidence, this week saw the release of Part II of the Survey Report of the Committee of Direction of the Rural Credit Survey. It appears to have come as a timely reminder of the tardy progress made in the improvement of the agricultural sector though the Government had accepted already the main recommendations of the Gorwala Committee for rejuvenating the rural economy. An integrated credit scheme that would answer the needs of the villages was an important aspect of the Committee's recommendations which is now in the process of implementation. Whatever may be the changes now contemplated, the present report of the Committee has come at an opportune moment, which will help kindle greater interest in the problem and provide a better understanding of the operation of the various credit agencies in the rural areas.

The report highlights the fact that the private creditor—the professional money-lender, the agriculturist money-lender and the trader—still reigns supreme in the field of rural credit supplying 70 per cent or more of the total requirements. As against this is the fact that the Government supplied as little as 3.3 per cent and the co-operatives the equally insignificant proportion of 3.1 per cent. This phenomenon is explained mainly by the way private agencies operate which in general are not keen about laying down terms and conditions of loans in specific detail. By contrast, one finds that Government finance is ordinarily available only to defined categories of people for defined purposes. Similarly co-operative finance for various purposes and under various conditions is also limited as to amounts and periods. The primary objective being maximum gain (compatible with security of repayment) it is small wonder that the private credit agency is not really interested in ensuring that a loan is used for a specific purpose.

Yet another fact that emerges out of the report is that whatever regulations exist to regulate money lending, the devices adopted by moneylenders to obtain extra gains are usually illegal. In very few States is there a separate administrative machinery to ensure proper enforcement of the Acts. The data on rates of interest by themselves are sufficient to show the extent of evasion of legal regulations relating to private moneylending and thus the authors of the report exclaim "That the legal rates of interest should be so universally ignored and that their disregard should occasion little comment is itself of very considerable importance in relation to the study of existing conditions of rural credit and the possibility in future of regulating or organising it in private hands."

Here then is the crux of the problem. There cannot be two opinions that this usurious lending deserves the strongest condemnation. What, however, is the alternative? It is obvious that most of the agriculturists will not satisfy the conventional requirements of commercial banks and other credit agencies in regard to credit worthiness and thus there is a pathetic dependence on the money-lender. The report points out how both Government and the co-operatives supply relatively a large proportion of the credit obtained by the big cultivators. The real snag is that in the case of the small farmers, the productive as well as the consumption needs get mixed up and they are not in a position to offer the required types of security to the commercial banks or other credit agencies necessary to obtain loan. Thus, in the present circumstances, it so happens that private moneylending seems to play necessarily a complementary role to the other credit agencies. But the root question is how far, despite the constitution of a number of new agencies, the various credit needs of the farmer can be adequately met.

The primary fact that should, however, be remembered is that the problem of credit supply cannot be dismissed in terms of organisational set-up alone. As in the case of industrial finance, where there is need for creating an appropriate investment climate, in regard to rural credit also there is need to take into account the potential availability of productive opportunities. It cannot be forgotten that the paramount need is to raise agricultural productivity to meet the needs of an expanding economy and the best results can be obtained only when all available productive opportunities are utilised. Thus the problem of finance or credit must be related to the question of the various fields in which the financial resources will be utilised.

Another important question relates to the need for exploring ways and means by which established banking and credit agencies would undertake to look after the consumption needs of the farmer also which are now mainly attended to by the private moneylender. The Survey Report, while discussing co-operative finance, points out that there are many gaps in the co-operative structure and defects in co-operative coverage. "To remedy the defects" it says "a development programme must aim at multiplying the number of societies, and at making finance adequate and fully available to members." The dependence on the moneylender can be considerably reduced if the credit agencies sponsored by the State undertake the responsibility for providing consumption loans at relatively lower rates. This would not only help the rural consumers but prove of benefit to the credit agencies who will be substantial gainers thereby. Ultimately this will not only lead to the elimination of the moneylender, but the effect on the economy will also be great since by the operation of the relative high interest rates, some substantial savings will be forced on the unorganised sector. If the Survey Report can lead to some fundamental thinking on the problem of tackling private moneylending, it would have done some distinct service.

Kerala's Industrial Policy

THERE can be no doubt that Kerala is more advantageously placed for rapid industrialisation, but she is less developed than the neighbouring States of Madras and Mysore. The fact that this West Coast State has considerable natural advantages for the establishment of a wide range of industries is well brought out in the statement of industrial policy just issued by the State Government. Kerala produces almost the entire quantity of rubber in India. There are ample resources of straw, bamboos, soft woods, hard woods, mineral sands, lemon grass oil, tapioca starch, china clay, etc., which are suitable raw materials for different kinds of industries. Cheap hydro-electric power is available, and more hydro-electric projects are under execution. Besides a network of good roads, which already exist, the State will see the completion, this year, of the last link of the railway line connecting its northern and southern parts to Cochin harbour. Above all, skilled and unskilled labour available is some of the best in India from the point of view of intelligence, manual ability and adaptability.

It may be straightway conceded that all this is true and there is no exaggeration in this official account of industrial possibilities. There is no particular merit in this preamble of the Communist Ministry to its industrial policy statement for, if there had been a Congress Ministry, it would have said the same thing. What is more relevant is not the listing of locational advantages which are probably well known to entrepreneurs elsewhere in India but the soundness or otherwise of Communist policies in respect of nationalisation and labour. Here unfortunately there is no ground for excessive optimism.

For one thing, the Kerala industrial policy, which purports to follow broadly the Central Government's industrial policy resolution of April 1956, is significantly different from the latter in one respect. The Kerala statement says: "As is laid down in the industrial policy resolution of the Government of India, the industrial units not included in Schedules A and B thereof will not be nationalised unless, in the case of a particular unit, there is gross mismanagement leading to loss of national wealth or deliberate and continuous refusal on the part of the management to abide by Government's policies with regard to the living and working conditions of the employees. In the case of those industries which, for any reason, are proposed to be nationalised, reasonable compensation will be paid. This will also apply to foreign owned plantations when they are nationalised with the concurrence of the Central Government."

What the Central Industrial Policy Resolution, on the other hand, states is merely that "all new units in these industries (listed in Schedule A), save where their establishment in the private sector has already been approved, will be set up only by the State" and that "this does not preclude the expansion of the existing privately owned units, or the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require." With regard to industries in Schedule B the resolution lays down that "with a view to accelerating their future development, the State will increasingly establish new undertakings in these industries" and that "at the same time private enterprise will also have the opportunity to develop in this field, either on its own or with State participation." "All the remaining industries", according to the resolution, "will fall in the third category, and it is expected that their development will be undertaken ordinarily through the initiative and enterprise of the private sector, though it will be open to the State to start any industry even in this category."

The crucial difference between the Kerala industrial policy and the Central industrial policy should be plain as pikestaff. Whereas the latter nowhere lays down positively the principle that the existing privately-owned industrial units coming under Schedules A and B are liable to be nationalised as a rule, the former threatens, by implication, that such units in the private sector would be nationalised. What is worse, the Kerala policy statement holds out the threat that even the privately-owned units in the third category might be nationalised under certain conditions. Again, whereas the Central Industrial Policy Resolution makes no distinction between Indian-owned and foreign-owned private enterprises in any connection, the Kerala statement singles out foreign-owned plantations for possible nationalisation. And, to cap it all, the Kerala industrial policy promises only 'reasonable' compensation in the event of nationalisation. How 'reasonable' compensation can be under Communist dispensation, nobody can know; it may mean anything or nothing.

One wonders how private enterprise can be attracted to Kerala where the Communist Government keeps the Damocles' sword of nationalisation hanging over the existing privately-owned industrial units, foreign as well as Indian. It is one thing for the State to start new enterprises of its own, but quite another to nationalise the existing ones in the private sector. If existing units themselves are subjected to insecurity, is there any reason to suppose that new units will be started by entrepreneurs with any sense of security? In the circumstances, the appeal of the Communist Government to private enterprise to start new industries in their State rings hollow. The hope engendered by the Kerala Finance Minister's Budget speech which made no reference to nationalisation is now belied. It thus turns out that the State's industrial policy is vitally different from the Central Government's policy even which has left much to be desired.

The outwardly sweet reasonableness of the Kerala Communists towards private enterprise is just not enough to carry conviction. The facile view that their control of or influence with industrial labour in the State would ensure its reasonable attitude towards management has to be set against the just fear that such control could any time create complications. The Kerala Government's emphasis on collective bargaining agreements providing for reasonable wages, allowances, bonus, etc., and on joint consultative committees is hard to justify in the case of enterprises which are just incipient or to be newly started and which may not naturally be in a position to figure out their future prosperity. By all accounts, therefore, the Kerala industrial policy, which hints at onerous conditions in respect of wages and labour and at nationalisation at every turn, is not calculated to evoke prompt enthusiasm.

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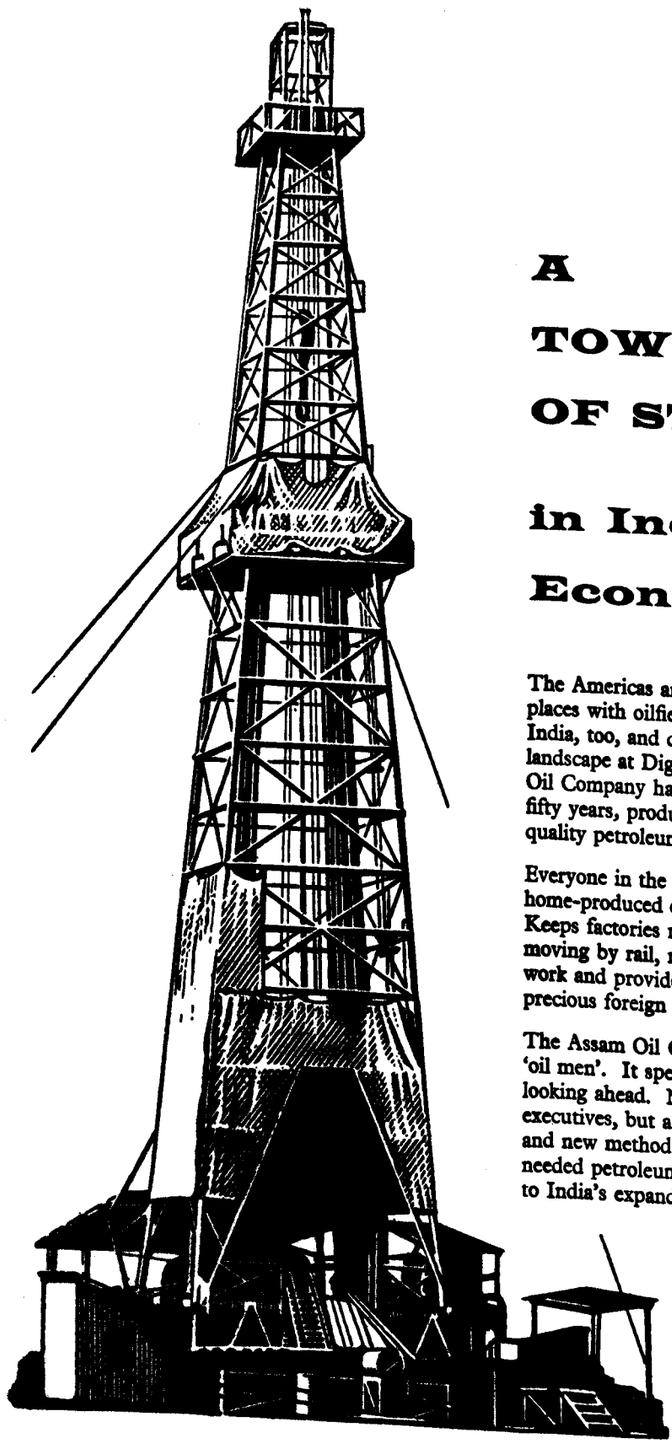


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THE WEEK'S NOTES

PROBE BODY ON FOOD

IN THE matter of food this country is not out of the wood, agricultural plans notwithstanding. And the pretty serious situation in respect of both production and prices certainly calls for an expert inquiry. Such an inquiry cannot, by its very nature, be time-consuming but would have to be carried out with the utmost possible expedition. The news is, therefore, heartening that a high-powered committee with Mr. Asoka Mehta as Chairman, Dr. S. R. Sen as Member-Secretary and Dr. B. K. Madan and four other members has just been set up by the Government of India and charged with the task of reporting within three months. It is most appropriate that Mr. Asoka Mehta who has a deserved reputation for balanced and constructive criticism is to have, as Chairman, yet another opportunity to render some outstanding public service. The inclusion of Dr. B. K. Madan, Economic Adviser to the Reserve Bank of India and Dr. S. R. Sen, Economic and Statistical Adviser, Ministry of Food and Agriculture, is equally appropriate and probably intended to ensure a high quality of research which is particularly required in respect of supplies, prices and effective demand according to income levels in the monetised sector of the economy.

The terms of reference of the committee encourage the hope that the inquiry may well be more scientific than the usual ones. In the first instance, the present food situation is to be reviewed and the causes for the rise in food prices since the middle of 1955 are to be examined. Secondly, the likely trends in demand and supply of food grains over the next few years are to be assessed. This assessment is to take into account the likely increase in production from the second Plan schemes; the impact of growing development expenditure, increase in population and urbanisation on the demand for marketable surpluses; and the availability of food grains from abroad in relation to requirements and in the light of the foreign exchange position. The findings of the inquiry regarding these relevant factors will be awaited with great interest. In the meanwhile it is good to find now a refreshing lack of complacency in the Union Food and Agriculture Ministry which has rightly decided to negotiate with the US Commodity Credit Corporation for another food grains deal covering probably some 2 million tons.

As it is all a question of more supplies in the monetised sector if food grain prices are to be brought down by, say, 15 per cent, 'The Eastern Economist' hopes that the Asoka Mehta Committee may find that this reduced level of prices would be consistent with the necessary incentive to the producer, with the interest of the consumer and with the maintenance of a reasonable cost structure in the economy. The statistical estimates already made by the Economic Intelligence Unit of the Indian Institute of Public Opinion in this connection, though by no means exhaustive, should none the less be useful to the committee in its inquiries.

AN INEXCUSABLE DELAY

THE UNCONSCIONABLE delay in the publication of the Planning Commission's review of the results of the first Five-Year Plan seems to follow a familiar pattern. That does not, however, make it the less objectionable. To observers, the technique followed in the case of reports not convenient to Government would seem to go along one or the other of these lines; either to suppress the report altogether or publish only such portions of it that will not be 'embarrassing' for Government or delay its publication unduly so that by the time the report sees the light of day, it loses its main purport and perhaps its sting. Just to illustrate, the fate of the report of the Official Language Commission belongs to the first category and it is remarkable that the product of a Commission that went into a controversial issue should be so pitilessly consigned to the archives without allowing the public even to have a look at it. In the second category comes the report of the Wage Board Award for Journalists where the Government have not thought it fit to publish so far the minority dissent in spite of persistent demand.

The case of the Planning Commission's report on the working of the first Plan apparently fits in the last category. Even with the huge apparatus at its command, the Government has taken about fifteen months to prepare the review. What is more intriguing is even after the report has been made ready, its release has been further delayed. According to reports available—due to journalistic enterprise—the document does not seem to be very creditable to the Public Sector over its performance and it is possible it may explode some of the assumptions of the second Five-Year Plan. After all, the main plank of the Congress election manifesto was the second Five-Year Plan. While seeking its endorsement from the electorate, it should have gone with its own published record of the first Plan's achievements. Since Government have not chosen to do so, they cannot escape the charge that the public were not given all the relevant data before seeking their approval for the second Plan. However, the presentation of the recent Budget has imparted a freshness to the demand for the publication of the report which Government cannot hold back for long.

It would appear from what reports that are available that the shortfall in the outlay in the public sector is of the order of about Rs. 400 crores. In fact as against the aggregate provision of Rs. 2,386 crores made, it is considered not likely that more than Rs. 1,960 crores had been actually utilised. It is, however, not known how much of the Rs. 94 crores allotted for the public sector for industrial development has been utilised. But so far as the private sector is concerned, as against an anticipated investment of Rs. 233 crores in industrial expansion, the actual capital expenditure is estimated to have amounted to Rs. 231 crores in the five-year period. Here is a fact that any student of contemporary economic affairs cannot afford to miss. If the private sector was able to fulfil its target and come out creditably in the first Plan there is no justification on doctrinaire grounds alone to come in its way in the field allotted to it in the second Plan. Why should anyone think of killing the goose that lays the golden eggs?

THE BLOOMING FLOWERS

ON JUNE 19, Peking and Moscow simultaneously revealed to the world the text (or most of it) of the major doctrinal formulation which Chairman Mao Tse-tung had made at a meeting of his colleagues on February 27. In this speech he is reported to have pleaded for allowing "a hundred flowers to bloom together". A day later, on June 20, however, the five-nation UN Committee released its 150,000-word report on Hungary which showed that the Kremlin had brutally suppressed the national uprising in Hungary. Though the irony is overpowering, Mr. Mao's speech is important for its "liberal" tone. To brush it aside as "of no consequence" will be wrong. The speech may rank in importance with Mr. Khrushchev's now-famous secret speech on the cult of the individual.

It is useful to recall that many observers of Communist goings-on tended to minimize, at that time, the importance of the policy of de-Stalinization. "The leopard cannot change his spots", these pundits asserted. They warned the free world not to be taken in

by the new Communist tactics. Some of them even tended, in their cocksureness, to turn the Nelson eye to the significance of that major development in the history of Communism, especially for the Communists outside the Kremlin oligarchy and the subjugated nations of the Russian empire. They overlooked that just as farmers and sports-lovers read the evidence of the advent of rain in different signs and with different sentiments, the Communists outside Russia might interpret the Khrushchev performance in a manner and for a purpose altogether different from that of the author or authors. The Poznan riots and even the Hungarian uprising were, in parts at any rate, attributable to the atmosphere generated by de-Stalinization.

Doubtless, Chairman Mao's formulation has less of the element of surprise, and one should not really run to any drastic conclusion from it. But the speech calls for a serious study, especially against the background of events like the Hungarian national revolt coming in the wake of the denigration of Stalin. While it may not at all seem likely that there will be another Hungary, those responsible for laying down policy for the free world could be alert to all signs of popular assertion in China, particularly among its minorities and non-Han nationalities. If once again opportunity is missed, then once again the non-Communist world may have only to eulogise the brave deeds of martyrs without being able to live up to their expectations and without being able to offer anything more than the cold comfort of words for the living.

ASSAM'S INTRANSIGENCE

THE "TRUCE" arrived at between Maulana Azad and Mr. Bishnuram Mehdi, Chief Minister of Assam, on the question of locating the oil refinery sends one between tears and laughter. It is heartening because it has, for the time being, averted a political crisis in a State which is already threatened with instability on account of the Naga disturbances. But the fact that the "truce" has been achieved at the cost of a major principle — that important national questions should be decided by the experts and not by politicians -- is a little dismaying. If the precedent is followed in the future, politics will begin to make encroachments in the sphere of economics and technology. This will have a deleterious effect on the country's development. Planning will cease to have any meaning and confusion may well prevail everywhere. If the planners are to make a success of their job, politics — more correctly "politicking" — must not be permitted to foil their efforts and befog their vision. This is a basic principle of planning which India can afford to ignore only at peril to its economic salvation.

This is, however, not to underestimate or deny Assam's financial worries or its claims for generous financial assistance from the Central exchequer. A strong and contented Assam, with a tenuous land link with India, is the best guarantee for the security of the country's north-east frontier and the establishment of the refinery will mean much larger scope for industrialization and for employment. It is, therefore, easy to sympathize with and appreciate the strength of feeling engendered in Assam on being denied location of an oil refinery. But no one can, surely, sympathize with or appreciate the manner in which the adverse decision of the expert committee on the matter was made an excuse for releasing a political whirlwind.

The expert committee which went into the matter viewed things from many angles other than merely those which appear relevant or important to Assam. It favoured Barauni, in Bihar as against Calcutta and Gauhati, because of strategic and other reasons. Calcutta was found unsuitable because the setting up of the refinery there would require a much longer pipeline and because of its close proximity to the Indo-Pakistan frontier and its susceptibility to labour troubles. Gauhati was rejected as a possible site because of the unstable political conditions resulting from the Naga trouble and also because it would have been more difficult to transport oil to consuming centres from there. In short, Assam's claim was rejected because of national considerations. Much as every State would like to promote its individual interests, these have to be subordinated to those of the country as a whole. We feel, therefore, that both the manner in which Assam has reacted to the expert committee's verdict and the manner in which Maulana Azad has tackled should not be repeated.

TOWARDS BRIGHTER RADIO PLAYS

NEXT TO sweet strains of music, perhaps what attracts the twiddling tuner most often is drama. The listener is induced to hear the exciting denouement. But there are also the plays from which the listener turns in disappointment. Dr. Keskar, inaugurating recently a seminar of playwrights and feature writers in South Indian languages in Bangalore, suggested that they might find ways of making the short ten or fifteen minute feature more interesting for the listener. This is timely advice. However, the fact is there is a scarcity of themes for original writing, and this means the canvas must be spread widely for attracting the proper talent. Another difficulty to be contended with is the perhaps inevitable restriction of time. This can be obviated by using only a limited number of characters, dialogue that is quick, lively and meaningful, and a concise plot. Adaptations and translations from classics unfailingly produce exactly what is necessary, if original compositions cannot turn from hackneyed themes. There is the excellent example of the B.B.C. which often takes a scene from a famous novel or play, and re-writes it to suit a broadcast.



My life *by Adipocere*

Pronounced 'adi-po-saire'

What a life I have had. To add to my troubles, I keep being attacked by little microscopic things which you call bacteria, but which I call a curse. Little do they know that I am immortal, as in spite of this terrific onslaught I continue to live, albeit in different forms.

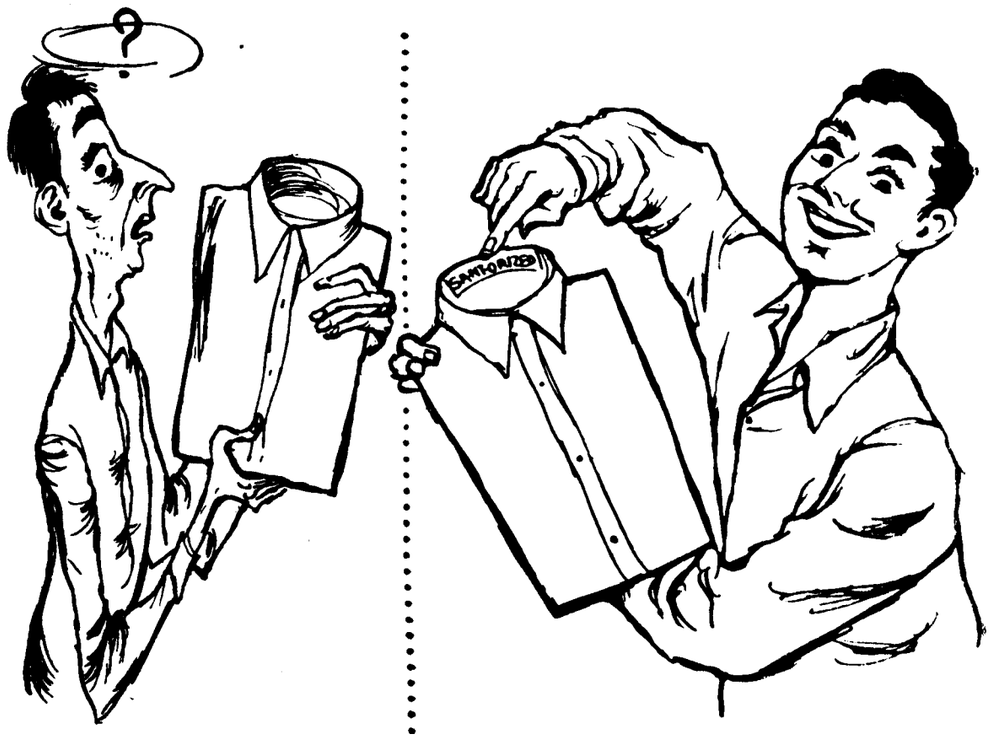
When the bacteria attack me, my body releases hydrocarbons—light, medium and heavy. The corresponding physical states of these are gas, liquid petroleum and wax. The petroleum part of me is squeezed into any contiguous porous material, usually sand or limestone, where it remains until some crazy geologist from an oil company decides to look for me.



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A Window on the World

JAMES, YOU MUST NOT SUPPORT THE PAINTER!

By

ODYSSEUS

INCOME TAXES, subsidies, rent restriction, and dividend limitation, are among the means used in Socialist and welfare states to extract wealth from the "rich" to redistribute to the "poor". The object of this redistribution is to curb or eliminate "ostentatious, wasteful, anti-social, or scandalous" expenditure by the "rich". But this, as we saw last week, raises the questions: When does expenditure on caviare pass from "gracious living" to "gluttony"? How can you ensure that the "poor" recipient of redistributed income will have the good taste, or the sense, to refrain from "worthless" in favour of "socially desirable" spending?

One often hears it said that while those who enjoyed "riches" before welfare states waded in and substantially reduced their spending power must continue to miss what they can no longer afford to buy, their children, brought up without these tastes, will no longer miss them and will be happy and contented citizens. This implies that differences in tastes are merely due to social habits and that they can be eliminated by taxing such habits out of existence. But granting this, as Bertrand de Jouvenel points out in his stimulating "Ethics of Redistribution" (Camb. Univ. Press, 1951), men will, even so, remain different in character and therefore some differences in tastes must always persist. But with heavy equalising taxation, economic demand will be controlled solely by numbers, no longer by the varied tastes of purses of varying spending power.

One effect will be that those goods and services demanded by larger groups of individuals will be supplied more cheaply than other goods and services demanded by smaller groups will be supplied to the latter. "The satisfaction of minority wants will be more expensive than the satisfaction of majority wants." The state will thus discriminate against the minority.

There is nothing startling in this discovery. People of uncommon tastes in all economic systems always have to pay more for their unusual wants. And, by the same token, this is one of society's most powerful incentives to secure harder work, higher productivity, and greater volume of production. It is an incentive of which welfare and Socialist states increasingly deprive themselves. In a competitive society, open to individual enterprise, there is no end to the variety of specialised wants that individuals develop and no limits on incentive and variety of production.

L.C.M. OF THE COMMON MAN

The Socialist says, however, that in the interests of the majority, no individuals can be allowed to earn more than certain limited incomes. In other words, in the interests of "equality", the whole society must be reduced, materially and culturally, to the level of the Lowest Common Multiple. Because in all countries at all times, the average man has led a dull, drab life, therefore no man at any time shall be allowed to extricate himself from the sticky mess of mediocrity. It is fortunate that Plato, Shakespeare, Racine, Kalidas, James Watt, George Stephenson, Thomas Edison, Shankaracharya, Tirunvalluvar, and Rabindranath Tagore, flourished before the age of egalitarian Socialism, for they were individualists whose tastes were as original as their effects have subsequently been powerful. But if they had all had to keep expense accounts, and be levelled down by steeply progressive income tax to an average income considered acceptable by bureaucrats, we should never have heard of them. All these great men had free play given to their geniuses by the patronage of wealthy courts and rich men. The average man was no more their patron in those various centuries than he is today. How many tens of millions visit the cinema theatres today in India? How often are the plays of Kalidas given? How many hundreds go to them? You can make a fortune out of a successful film. Can you make a fortune by publishing Tagore?

Bertrand de Jouvenel points out four important consequences:

(1) Personal hardship for individuals of original tastes.

(2) The loss to society of the special effort such people make in order to satisfy their special needs.

(3) The loss to society of variety in the ways of life resulting from successful efforts to satisfy special wants.

4) The loss to society of those activities which are supported by minority wants.

Remember that innumerable items now supplied cheaply to the masses were originally luxuries (like spices and newspapers) which could only be produced because a few were willing, and able, to buy them at high prices. Such "luxury" expenditure would have been severely condemned by our equalisers who insist that the nation's productive efforts must be directed first towards necessities for all, rather than towards luxuries for the few.

If the equalisers have their way, they risk bringing material progress to a dead stop because it is one of the most glaring facts of history that each successive enlargement of opportunities to consume arose because the means to consume were unequally distributed.

HOW TO INCREASE WEALTH

Judging by the constant reappearance in public life of recommendations either that taxes should be further increased to take "superfluous" wealth from the "rich" to be redistributed to the "poor", or that nobody should be allowed an income above a given maximum, it cannot be repeated too often that such proposals imply that a plethora of wealth already exists, and that what's wrong is its bad distribution. In fact, however, the object of all thinking citizens should be to advocate ways and means of adding to the wealth of a poverty-stricken world.

The more opportunities there are for individuals to raise themselves above the national average of wealth, the quicker will that average rise.

Those who call for equalisation of incomes and for radical redistribution have never tried to visualise what the nation would look like if they had their way. In the first place it would materially debase the present modes of life of the nation's leaders in every sphere,

whether statesmen, public servants, business men, industrialists, engineers, trades unionists, intellectuals, or artists. The "fair and equal" redistribution of the national income would cause a great shift in activities. The demand for some goods and services would increase, for others vanish. Certainly some of what P. H. Wickstead called (in "Common Sense in Political Economy", London. 1933) the "misdirection of productive activities" would be eliminated, i.e. the buying power of rich men to divert to their use resources that would be better employed in satisfying the needs of poorer men. But how great a proportion of economic resources, was in fact so diverted in pre-war India or Britain?

Nor would most thinking people rejoice at the disappearance of all the activities which find their market in the classes earning above average incomes. The production of all fine quality goods would cease — as it has already diminished substantially. The skills that they demand would be lost and the taste that commands them would be coarsened. Who could buy paintings? Who could buy books other than cheap, paper-backed novels? If the Rs. 60,000 spent by the 2,000 buyers of an original piece of historical or philosophical research are henceforth spent by 60,000 buyers of novels at Re. 1 each, then 60,000 individuals may have their satisfactions increased, but is the nation richer? Is it the Socialist case that spiritual values no longer count?

The Socialist has his answer ready. It is true that individuals will no longer be able to buy pictures or books but the state will provide bigger and better public libraries. Artists, authors, historians, scientists, fine craftsmen in silk, glass, and marble, will be maintained by the state.

Here we reach the heart of our discussion. The redistribution of incomes, whether considered from the economic or from the cultural viewpoints, involves diminution of the freedom of the individual and enhancement of the power of the state. The loss of investment capital which arises from punitive taxation has to be made good by state saving, state planning, and state investment of funds. Likewise if heavy taxation makes it impossible for individuals to support the arts, the state becomes the sole, powerful manipulator and monopolist of spiritual values.

Everywhere throughout the civilised world, the state is slowly, or rapidly, extinguishing the individual as an individual, with all his possibilities of imagination, variety, change, and growth, and substituting the Common Man — housed, fed, employed, exercised, entertained, by the state. In such circumstances, the Common Man cannot fail to be one whose ideas and behaviour conform strictly to normality — as defined by the state.

But the cream of Socialist redistributionist illogicality is, as Bertrand de Jouvenel points out, this: By redistribution, the Socialist wants to maximise the satisfactions of the masses. When all incomes are equal, says the Socialist, all satisfactions are equal and maximised. The object is to prevent the "'rich" from "diverting" to themselves by force of their superior buying power the allocation of productive resources. If, then, the "rich" are eliminated, are not market values set by the mass of buyers, and is not the resulting allocation of resources ex hypothesi, the best, free from all distortion? Apparently not, because in direct contradiction with this whole line of reasoning, the state steps in to resume production of items of art and other cultural activities that are no longer in demand! Q.E.D. — which may be roughly translated as "Was that what was to be demonstrated?"

If we say that although people would be better satisfied by spending a certain sum on ice cream and detective stories (the need for which they feel more keenly than buying of a painting), nevertheless "in their interests" the state must tax them sufficiently to deprive them of these pleasures in order to support the painter, "we obviously", delightfully suggests Bertrand de Jouvenel, "lose the right to argue that James's income must go to the mass of the people because satisfaction will thereby be increased. For all we know, James may be supporting the painter. We cannot accept the criterion of maximising satisfaction when we are destroying private incomes, and then reject it when we are planning state expenditure."



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SPAIN AND MOROCCO

(From Our Special West European Correspondent)

PARIS, June 21.

THE negotiations between the Governments of Franco and the Sultan which have just ended in Madrid have carried a stage further the piecemeal restoration of Moroccan unity and sovereignty. Progress was made on the intricate problem of withdrawing from circulation the Spanish peseta which still forms the currency of the northern part of Morocco, and replacing it with the Moroccan franc. But less progress was made with regard to the enclave of Ifni, in southern Morocco, which Spain wants to hold on to, as Portugal is still holding on to Goa. The importance the Government in Rabat attached to these negotiations can be seen from the fact that the Moroccan Foreign Minister, M. Balafrej, spent 15 days in Madrid at the head of his delegation, trying to get matters out of the stalemate they had fallen into last December. Naturally, it is the Moroccans who are making the pace and the Spanish who are dragging their feet, but the new Government that has emerged from Franco's energetic political spring-cleaning seems a little more willing to reach agreement, given time and adequate compensation.

The Hispano-Cherifian negotiations are part of the long task of nation-building that the regime in Rabat has had to undertake since Morocco attained independence. Elsewhere in the world, imperialism had built colonial nations which, on becoming free, had at hand all the administrative and economic framework of nationality, but in Morocco the various imperialist powers had consecrated the bizarre fragmentation of the old sultanate. On the morrow of independence, Morocco was politically split into the French and Spanish zones, plus the international zone of Tangiers, plus various enclaves such as Ifni. Moreover, the southern and inland borders of the country were quite undetermined and there is no clear international agreement about where Morocco ends; it just fades off vaguely into Mauretania and the French Sahara. On top of this political fragmentation but by no means exactly coinciding with it, there was an economic fragmentation, of which the dual franc and peseta currency was only one example. The existence of the totally "free" economic zone of Tangiers and of other duty-free ports was further complicated by treaties with Britain and Spain prohibiting the imposition of customs tariffs on imports from those countries. Moreover there was a fragmentation of legal powers, as in treaties granting extra-territoriality to certain foreign nationals, as for instance Americans.

The unification of the country required abrogation of all these multifarious privileges, which could only be obtained by complex international negotiations. So far, Morocco has met with considerable goodwill in this matter; Britain and the USA, for example, have made no difficulties about surrendering their rights. Economic unification is particularly difficult and is taking more time. Thus, the Spanish currency cannot be replaced without agreement on the rate of exchange and, apart from the fact that the Spanish peseta has no one international value, this is intricate because the French Government wants to have its say in the matter for it is the guarantor of the Moroccan franc. Economic unity is urgent not only for reasons of national prestige and convenience but because the conclusion of financial assistance treaties with other countries (France, the USA and the international lending institutions) is impossible until the government in Rabat has control of its currency and tariffs.

The international aspect of restoring unity and sovereignty in Morocco has to be attended to at the same time as the Sultan seeks to ensure that his writ runs throughout the territory, against the opposition of the regional powers of Islamic feudalism and against the extremist forces represented by the Army of Liberation. The struggles between these disruptive elements and their quarrel with the infant central power are considerably complicating the international negotiations, for the terrorists or a regional chieftain will choose to abduct French citizens just when the Rabat administration is in the midst of concluding a treaty with Paris. The Sultan is none too sure of himself in such situations; sometimes he disowns the extremists but sometimes he has to take their misdeeds on to his own account for internal political reasons.

The Moroccans have obtained in Madrid abrogation of the Hispano Coerifian commercial treaty of 1861, which was modelled on the treaty with Britain signed in 1858. This will enable them to enforce a uniform customs tariff regime for the whole country, including the former international zone of Tangiers. Thus they can begin to frame an industrial policy by offering protection to local enterprise. In return the Spanish have demanded concessions in the shape of a new trade treaty that will guarantee increased imports of Spanish goods into Morocco; this will not be easy to achieve, for the Spanish and Moroccan economies are competitive rather than complementary. Progress in the currency negotiations removes another obstacle to closer economic co-operation with France, from which country Morocco still has to expect the major part of its foreign aid. There is yet to be settled the question of the status of Spanish officials who will remain as servants of the new government in the northern zone. Agreement on this question has been reached with the French in the south. The issue is important because Morocco has no native technical or administrative cadres and must continue to rely on the tens of thousands of European officials that ran the old protectorates. Both parties are anxious to have their status and loyalties firmly fixed, the Europeans because they feel insecure in the troubled conditions of the new state and the Moroccans because they remember the way a French pilot nominally in the Sultan's service took orders from the French Government last autumn when he kidnapped the Algerian rebel leaders who were then the Sultan's guests.

The question of the employment of its officials in the former protectorate is of special importance to the Spanish Government because Morocco was traditionally a place for employing the eternal excess in the overstaffed Spanish bureaucracy. This is particularly true of the Spanish Army, for whom Morocco served as a vast barracks and training ground. This matter will be settled along with (or perhaps disguised as) a "technical assistance" treaty. The grant by Madrid of such technical aid will also help absorb some

part of the Moroccan Government's substantial credits in Madrid.

While progress is being made in these directions, the Spanish have hardened their attitude on Ifni, which Madrid considers as Spanish territory. The Spanish claim is based on the 1860 treaty of Tetouan by which Morocco (in a lion-and-donkey pact) ceded this Atlantic territory to Spain in perpetuity, for the purpose of founding a fishing station. It was occupied and garrisoned by the Spanish as late as 1934 but they have no wish to give it up today, having consolidated it administratively with their colony of Rio d'Oro, in Spanish West Africa. The position of Rabat in these discussions is embarrassed because Ifni lies in a part of southern Morocco where the Sultan's writ does not run; local bands make the law there and practise occasional sorties into neighbouring Spanish and French territory, presenting the Sultan with the choice of spoiling his relations with his European allies by supporting the wild men, or of giving his domestic extremists ammunition by condemning them. The irredentist party in Morocco has fantastic ambitions, laying claim to vast tracts of the French Sahara and to the Atlantic coast down as far as Senegal. After this week's negotiations in Madrid, both sides seem willing to leave the thorny question of Ifni (and hence the exaggerated irredentist campaign of which it is the first step) for resolution at a later and quieter time.

It should be noticed that there is one theoretical abatement of Moroccan unity and sovereignty that the present Government does not intend to remove: this is the presence of important American military and aviation bases. These are an essential link in American world strategy and Rabat is aware that in return Morocco can obtain considerable American aid and support. In any case, the Sultan's government is not neutralist but resolutely anti-Communist and is in general thoroughly well disposed to co-operating with Western defence policies. (The same considerations apply to the vital naval base of Bizerta in Tunisia.)

But while this piecemeal reconstitution of Morocco as a political entity proceeds, the main threat to peace and unity in the country persists: the continuation of the war in neighbouring Algeria. This requires the continued presence of French troops in the country, with the frequent causes for dispute and violence that this provides. Worse, it also requires continued support of the terrorist bands that take refuge over the border in Morocco before returning to resume the bloody struggle in Algeria. Morocco is still the home of several hundred thousand French people who constitute not only the mass of the administration but also the framework of the country's economic structure, its best hope of economic and industrial advance and the best guarantee of continued assistance from metropolitan France. Their departure would be the country's ruination, but as long as the war persists — indeed worsens — in Algeria, their security cannot be fully guaranteed by the new, inexperienced and insecure regime, as was demonstrated in the massacre at Meknes a few months ago. Like Tunisia, Morocco ardently desires an end to the Algerian conflict, and, again like Tunisia, not necessarily on the extreme terms set by the terrorists. But French policy is apparently still a long way from using its two best hopes for a peaceful settlement in North Africa, the moderate governments in Rabat and Tunis.

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WORLDGRAM

AGRICULTURE

G.M.F. Programme for Himachal Pradesh for 1957-58: Thirteen schemes relating to distribution of fertilizers and improved seeds, development of local manurial resources, purchase of agricultural implements, propagation of fisheries, extension of irrigation and raising of paddy nurseries have been sanctioned by the Government of India for the grow more food programme in Himachal Pradesh for 1957-58. A total sum of Rs. 35.99 lakhs has been approved by the Centre for these schemes. Out of this, recoverable expenditure amounts to Rs. 18.46 lakhs and grants Rs. 17.53 lakhs. A sum of Rs. 14.88 lakhs has been sanctioned as subsidy for 45 minor irrigation projects.

*

Scheme for Development of Sericulture: The Government of India have sanctioned grants totalling over Rs. 4 lakhs to six States to promote silk-worm rearing and to provide disease-free good quality silk-worm eggs to the rearers in these States. Uttar Pradesh which has received about Rs. 1.5 lakhs will have two grainages, a station for foreign race univoltine seeds and a farm for univoltine and bivoltine seed cocoons ond another for multivoltine seed cocoons. Orissa has been sanctioned Rs. 50,000 for a station for tassar seeds and another for eri seeds being set up there. Collective chawki rearing units are being set up in Mysore also for which the State has received over ten thousand rupees. A Basic Muga Seed Farm is being established at North Lakhimpur in Assam for which a grant of about Rs. 22,000 has been given. An univoltine seed farm and grainage and multivoltine seed farm are being set up in Madhya Pradesh too for which the State has been sanctioned a grant of Rs. 36,000.

*

Irrigation Schemes in Punjab: Five new irrigation and multi-purpose projects, which will benefit an area of about 6.24 lakh acres in Punjab, have been included in the second Five-Year Plan. The total cost of the projects, some of which will be completed in the third Plan period, is estimated to be Rs. 7.87 crores. Of this amount, Rs. 4.04 crores will be spent during the second Plan period. A sum of Rs. 0.14 crores has also been earmarked for investigations. Nearly 1.78 lakh acres will receive irrigation benefits during the period. The Gurgaon canal project, which will cost Rs. 2.45 crores, will irrigate 1.064 lakh acres in Gurgaon district. About 0.54 lakh acres will be given canal supplies during the second Plan period. The scheme provides for the construction of a canal which will take off from Okhla on the Jamuna river. The Rs. 0.75 crore scheme to increase the capacity of channels in Karnal and Delhi will benefit 0.75 lakh acres. Of this, 0.45 lakh acres will be irrigated during the second Plan period. The scheme is expected to be started some time this year or next year and will be completed by 1960-61. The scheme for the extension of flood irrigation (lift) from the Western Jamuna canal to Rewari and adjoining areas is expected to irrigate 0.40 lakh acres in the second Plan period. Costing Rs. 0.56 crores, the scheme is likely to be completed by 1960-61. Amongst the important continuing schemes from the first Plan to the second Plan is the Bhakra-Nangal Project. A sum of Rs. 1,778 lakhs has been earmarked for the irrigation from this project in the second Plan. Nearly 2,347,000 acres will receive irrigation benefits during the period.

*

G.M.F. Schemes for Assam: Twelve schemes relating to irrigation, plant protection, mechanised cultivation, distribution of seeds, and development of fisheries and compost and manurial resources have been sanctioned by the Government of India for the grow more food programme for Assam in 1957-58. The Central aid for the schemes amounts to a total of Rs. 61.46 lakhs — Rs. 53.98 lakhs as loan and Rs. 7.48 lakhs as grant. Important among the schemes are development of forest, hill and natural fisheries and distribution of fish seed. The Central share of assistance to these schemes amounts to Rs. 2 lakhs as loan and Rs. 1.45 lakhs as grant.

INDUSTRY

Industry and Research: In order to bring about a living and intimate contact between industry and research, the Council of Scientific and Industrial Research has appointed special staff consisting of an Industrial Liaison Officer at the Centre and three Regional Liaison Officers, one each at Calcutta, Bombay and Madras.

This Industrial Liaison Staff will render every assistance to industry to fully utilise and exploit, for its growth and development, the results of researches completed in these national Laboratories under the C.S.I.R. It will also study specific problems facing the industry — both in the public and private sectors — with particular reference to process of manufacture, cost of production and quality of product, and arrange to solve them by experimental and research work in the national Laboratories. A special information cell has been set up at Delhi for the convenience of the industrialists.

*

Brick and Block Making Machine: A hand-operated brick and block making machine has been developed at the Central Building Research Institute, Roorkee. The machine presses two bricks at a time, with four men working on the machine two for turning the lever, one for filling the mould and one for removing and stacking the bricks. The output per man/hour is about 62 which means an output of about 2,000 bricks per day. The machine allows bricks to be produced on a cottage industry basis and is likely to find considerable use in community project areas. Parties interested in undertaking the commercial development of the process may write to the Secretary, National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi-1.

*

Progress of Cottage Industries in 1956-57: Steady progress was maintained in the implementation of scheme for the development of khadi and village industries, handicrafts and sericulture during 1956-57. According to the Report for Cottage Industries, during the year the Centre sanctioned over Rs. 6.35 crores as grants and about Rs. 4.82 crores as loans for the khadi industry including ambar charkha. These figures compare with about Rs. 5.14 crores given as grants and Rs. 1.87 crores given as loans during the preceding year. The production of traditional khadi (i.e. non ambar khadi) during 1956-57 was slightly over 24 million yards valued at 4.93 crores of rupees. The total sales of khadi amount to Rs. 5.95 crores as against Rs. 4.26 crores in the previous year. In addition khadi cloth worth Rs. 1.26 crores was produced by those who spin for their own consumption. The number of such people has grown from 38,000 in 1953-54 to 5,87,000 in 1956-57.

*

Carbon Dioxide and Compressed Oxygen Gas: The Indian Standards Institution has published Indian standard specifications for carbon dioxide (Industrial) (IS: 307-1956) and for compressed oxygen gas (Technical) (IS: 309-1956). The standards not only prescribe requirements but also the methods of test for the material used in the manufacture of aerated waters, as fire extinguishers and in the manufacture of solid carbon dioxide, and for the material commercially

known as 'compared oxygen gas' used for welding and cutting operation. The standards can be had from the ISI Office at 19, University Road, Delhi, or its branches at Bombay or Calcutta.

*

Insulation Boards from Waste Products: A new process to make insulating material from waste products like ground-nut or paddy husk, banana stem, coir or bagasse has been evolved at the Central Food and Techonological Research Institute, Mysore. This insulating material has been found to possess properties similar to cork at present being imported. The Mysore laboratory is now engaged in standardising conditions for the production of this insulating material. It is also conducting tests to study performance of the product. This experiment was undertaken at the Institute with a view to manufacturing heat insulation boards, cushion pads and sound-proof boards from waste material.

TRADE

Development of Indo-Afghan Trade: The negotiations between representatives of the Government of India and the Trade Delegation from Afghanistan concluded in New Delhi recently. Under the arrangements which have been agreed upon the two Governments have reaffirmed their desire to promote the trade between their respective countries on the basis of mutual advantage and in a manner so as to achieve a balance in their trade. Further, transit facilities have been provided for Indo-Afghan trade in terms of Article 15 of the Treaty of Friendship and Commerce concluded between the two countries in 1952. It has been agreed that subject to a ceiling of Rs. 3.35 crores for the first year, facilities will be afforded to the registered traders in Afghanistan and approved parties in India, who have participated in Indo-Afghan trade during the 4 years ending June 30, 1956, to supply fruits, both dry and fresh, and asafoetida to India. These supplies will be paid for in Indian rupees. The Government of Afghanistan will on their part afford facilities for the import from India of goods such as cotton textiles, green and black tea, bidi and tobacco manufactures, spices, jute manufactures, art silk piece-goods and woollen manufactures, leather and leather goods, including footwear, films, machinery and building materials, chemicals, rubber goods, bicycles and motor cycles, paper and stationery, aluminium goods, iron and steel products and sugar. The two Governments will consult each other periodically to review these arrangements with a view to improving upon them to their mutual advantage.

*

Quota for Export of Cotton Rags: The Government of India have decided to release a small quota of cotton rags and hosiery cuttings for export during the period July-December 1957, from the port of Calcutta and Bombay. Details of the licensing procedure are being notified by the port officers.

*

Indo-Bulgarian Trade Agreement: Letters were exchanged in New Delhi recently between Shri K. B. Lall, I.C.S., Joint Secretary, Ministry of Commerce and Industry and His Excellency Mr. Ivan Petrov Daskalov, Envoy Extraordinary and Minister Plenipotentiary of the People's Republic of Bulgaria in India extending up to December 31, 1957, the Schedules of the Indo-Bulgarian Trade Agreement signed on April 18, 1956, with certain modifications. The volume of trade between India and Bulgaria, though not very large, has been steadily growing since the Trade Agreement between two countries was signed. The balance of trade is unfavourable to India. The imports from Bulgaria rose from Rs. 81,000 in 1954-55 to Rs. 3,50,000 in 1955-56 and to Rs. 22,24,000 in 1956 (April to December). Exports from India to Bulgaria have also gone up, but the increase has been comparatively smaller. The corresponding figures for exports stood at Rs. 79,000; Rs. 2,05,000 and Rs. 4,77,000 in the three years. The principal items of import from Bulgaria to India have been metals and ores, chemicals and electrical goods. India, on the other hand, has been exporting to Bulgaria mostly spices and shellac.

FINANCE

New Provision of Central Sales Tax Act: Section 15 of the Central Sales Tox Act, 1956 was replaced by a new section by the Central Sales Tax (Amendment) Act, 1957 passed by Parliament in its May Session. The new provision seeks to restrict the powers of the State Governments to levy tax on declared goods of special importance to inter-State trade or commerce only at the stage of last sale or purchase in a State and at a rate not exceeding 2 per cent of the sale or purchase price thereof. It also provides that no tax under the State Law shall be levied on such goods if they are intended for despatch to another State. In order to allow sufficient time to the State Governments to amend, where necessary, their Sales Tax Laws to accord with the new provision of Section 15, the Central Government has decided to postpone further the date of enforcement of the Section to October 1, 1957. A notification has been issued in this connection. This postponement will not in any way alter the enforcement of levy of tax under the Act with effect from July 1, 1957 as already notified.

*

Deposit Scheme for Companies: Under the Income-Tax Act, 1957, a company will not be entitled to the allowonces in respect of depreciation and development rebate in the computation of its profits and gains for purposes of assessment, unless it deposits with the Central Government before June 30 of the relevant assessment year a prescribed amount out of its undistributed current profits and reserves computed at a certain percentage thereof as notified by the Government. For the financial year 1957-58, the Government have already notified the percentage for deposits out of current profits, which is nil in the case of government companies, statutory corporations, and banks and insurance companies, and is 50 per cent for all other companies. A draft of the rules providing for the manner and the procedure for the making of deposits and refunds and other incidental matters proposed to be made has already been notified and these will be finalized shortly. For the current year, the completion of assessments will have to be deferred until the Finance Bill, now before will have to be deferred until the Finance Bill, now before Parliament, becomes law. It has, therefore, been decided that this year, the last date for making deposits should be extended to August 31, 1957, or within 6 months of the relevant accounting year whichever is later.

GENERAL

Employees' Provident Fund Act: About 3,600 more workers will get provident fund benefits from July 31, 1957 when the Employees' Provident Fund Act is extended to employees of the oxygen, acetylene and carbon-dioxide gases industry. The contributions of these workers to the fund, along with the employers' share are estimated at over Rs. 97,000. The Employees' Provident Funds Act, which came into force in November 1952, initially applied to six industries. At present the Act applies to 30 industries and establishments. In December 1956, the Act was amended to empower Government to extend it to non-factory establishments. Accordingly tea, coffee, rubber, cardamom and pepper plantations were brought under the purview of the Act. The Act applies to factories and establishments, which employ 50 persons or more and have been in existence for at least 3 years. About 5,475 factories and establishments have so far been covered by the Act. The number of subscribers is about 24 lakhs. The average monthly collection of provident fund contributions is about Rs. 1.82 crores. The total contributions up to March 1957 amounted to about Rs. 80.26 crores.

NEWS IN BRIEF

INDIAN

The Government of India has created three wheat zones. These are Punjab, Himachal Pradesh and Delhi; (ii) U.P.; and (iii) Rajasthan, Madhya Pradesh and Bombay (including the City of Bombay).

*

The Union Labour Ministry is taking a lead in finding a way out of the current difficulties between management and labour, particularly in the cotton textile and jute industries, over introduction of rationalization schemes.

*

The Government of India has accorded approval to the programme of establishing one principal laboratory at Calcutta and 14 regional laboratories in different districts of West Bengal during the second Five-Year Plan period.

*

Work has started on the Rihand Dam, which when completed, will provide power and irrigation facilities to three States—Uttar Pradesh, Bihar and Madhya Pradesh—and the shipbuilding activity at Visakhapatnam.

*

The Bihar Government has sanctioned the creation of a Directorate of Geological Survey on a temporary basis during the second Plan period to make a thorough and intensive survey of the mineral-bearing areas of the State.

*

Automobile production in India in the current year is likely to exceed the record output achieved last year. According to official statistics, the number of automobiles produced in the first quarter of 1957 amounted to 9,340 compared with 8,374 in the preceding quarter and 7,545 in the first three months of 1956.

*

The Government of India have decided to allow export of cotton yarn up to 78 counts freely within a ceiling of 5,000 bales on "first-come-first served" basis to all permissible destinations except Portuguese possessions in India.

*

Production and dispatches of indigenous sugar amounted to 19.75 and 12.27 lakh tons up to May 31, in the current season, as against 17.86 and 9.54 lakh tons respectively in the corresponding period of last year.

*

Textile exports from Japan to India generally recorded an increase in 1956 from the level of the previous year. In the period January to November 1956, Japan exported to India 6,075,487 lbs. of rayon filament yarn, compared to 4,112,567 lbs. in the same period of the preceding year.

*

The Indian Standards Institution has issued, for eliciting comments, a draft standard specification for logs for matches.

*

Small exports of food grains were possible only in the last three years of 1954, 1955, and 1956. The total quantity exported comes to 165,000 tons which earned us Rs. 878,00,000.

*

As against the average production of 51.8 million tons of food grains (rice, wheat, millets, other cereals, gram and pulses) per annum, during the first quinquennium ending 1951-52, the average has gone up to 64.9 million tons per annum during the last quinquennium ending 1956-57.

FOREIGN

Dr. Van Rhijn, Minister of Economic Affairs, announced recently that import control would be finally lifted some time next year, and South African industries would then have to face free competition from overseas for the first time since the outbreak of the war.

*

The Dutch Government has decided to adapt the embargo on trade with China, Northern Korea and North Viet-Nam to the control system ruling for trade with some East European countries.

*

Work has started on the construction of a new potash fertiliser plant in Sicily, which will meet all of Italy's requirements of potash fertilisers. Hitherto Italy has been dependent on imports for this type of fertiliser.

*

Net farm income fell by 18½ per cent in 1954-55 compared with the preceding year, according to a "Blue Book Farm Incomes" in England and Wales, 1954-55 prepared by the Ministry of Agriculture.

*

Steel production reached a new record in UK last month, the annual rate of output exceeding 23 million tons for the first time. May output of crude steel averaged 443,200 tons a week, equivalent to an annual rate of 23.05 million tons which was 2.6 per cent higher than the previous record rate of 22.47 million tons established in February of this year.

*

Legislation is to be introduced in the Ceylon Parliament to set up State Corporations for the manufacture of salt, sugar, cotton, yarn, textiles, cement, fertilizers and for ilmenite refining. Iron-ore resources are to be studied with a view to establishing a steel industry.

*

Total exports in May, including £11.8 million reexports reached a new record of £314.7 million. It was the first month in which UK goods shipped overseas had exceeded £300 million—the May figure was £302.9 million, and nearly £6 million above the previous best figure, last March.

*

The Dutch cost of living index for 1957 is expected to rise by 4½-5½ per cent, compared with last year, according to the official Central Planning Bureau.

*

The West German Ministry of Economics has announced a simplification of procedure in making imports of non-liberalised goods from countries within the payments area of marks of limited convertibility.

*

European and Chinese companies in the past three years have invested nearly $M10 million (about £1.2 million) in mining high grade iron ore deposits in the vicinity of Ipoh, in the heart of Malaya's rich tin bearing Kitna Valley.

*

A draft agreement on the exploitation of the Water power of the Pasvik River, on the Soviet-Norwegian border, has been produced by a Committee of Russian and Norwegian experts and Russian and Norwegian Governments for approval.

*

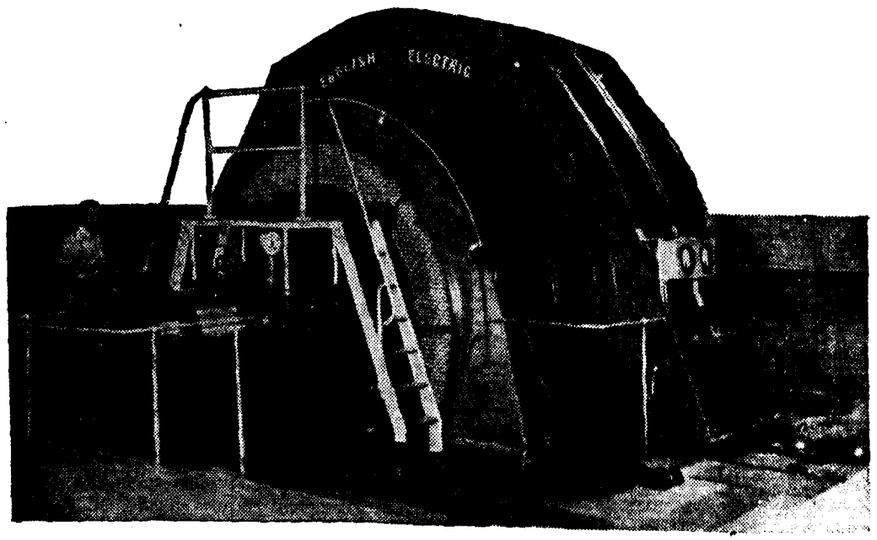
An increase of over 25 per cent in Israel's export trade was recorded during the first five months of this year.

*

Current expansion plans in the Dutch iron and steel industry are due for completion early in 1959.

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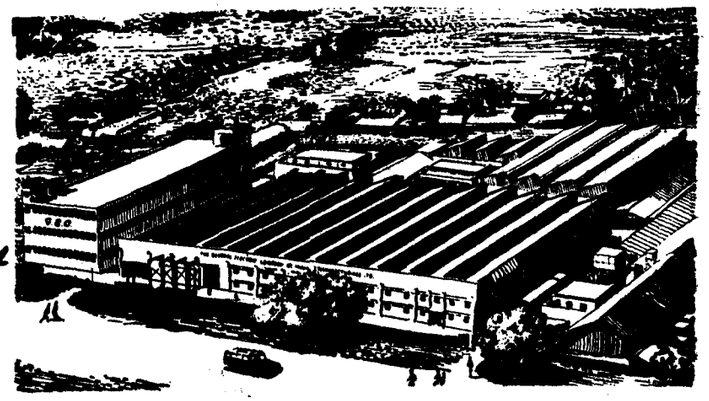
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Economic Report from the U. S.

U.S. TRADE WITH EUROPEAN REDS

(By GUY SIMS FITCH)

WASHINGTON, June 25.—Almost unnoticed, the US Government last week added 200 commodities to its lengthening list of items that can be exported to the Soviet Union and other East European Communist countries under general licence, without the need for individual licenses for each shipment.

The US Department of Commerce, which is in charge of export licensing, emphasises that this new step represents no change in the Government's trade control policy. All commodities now on the general license (GLSA) list are of types that would normally be approved for export under existing licensing policy, even if individual shipment approval were required.

But the new move does serve to make it easier for European Communist countries to expand their peaceful trade with the US if they are willing or able to do so.

Past experience on this score is rather revealing. General licences have been in effect for about a year now. They cover a wide range of industrial and agricultural products. Yet GLSA shipments totalled only $165,000 in the last half of 1956, a period during which $4.2 million invalidated individual licenses were issued. This substantiates the view that US export license policies have not been important obstacles in the peaceful trade with Eastern Europe.

The only areas to which US permits no exports are Communist China and North Korea, held to be international aggressors by the United Nations. On the other hand, the only goods barred from the European Communist bloc are those relatively few, which are considered strategic or war-making commodities. Yet in 1956, all Eastern European countries together, including the Soviet Union, imported only $11.5 million worth of goods from the United States, out of total US exports of $15,000 million. US trade with the USSR and Eastern Europe has been picking up somewhat in 1957. But even so US exports to these areas are hardly likely to exceed $20-25 million this year.

The list of US commodities embargoed to Eastern Europe has been fairly stable for several years and leaves plenty of room for expanded peaceful business —in consumer items, agricultural products, manufacturing equipment and raw materials of all types. But business men have generally found the Communist countries to be erratic and limited markets. One reason, of course, is the political motivation that underlies much of the trading activity of these countries.

In addition, these countries have demonstrated a lack both of dollars and of exportable items. This means they have used the US and other free markets chiefly to relieve their own shortages and to obtain products of advanced design. According to Commerce Department officials, Soviet and other Eastern European purchasing agents seem particularly interested in taking a good look at what American industry has to offer. Recent license inquiries, for instance, concern the latest of such US goods as agricultural equipment, woodworking machinery and industrial chemicals.

As a general rule, the US Government does not object to business with the Communist bloc—except for Communist China and North Korea—as long as it remains within accepted non-strategic licensing procedures. Each American company, as a private trader, is free to make its own decision on whether the market is worth the sales effort and the abnormal hazards involved. In making this decision, of course, the company tends to consider the usually more advantageous commercial opportunities that abound in the rest of the world. But the Commerce Department emphasises that it is ready to act promptly and speedily on any inquiries or license applications it receives for non-strategic trade with the Communist countries.

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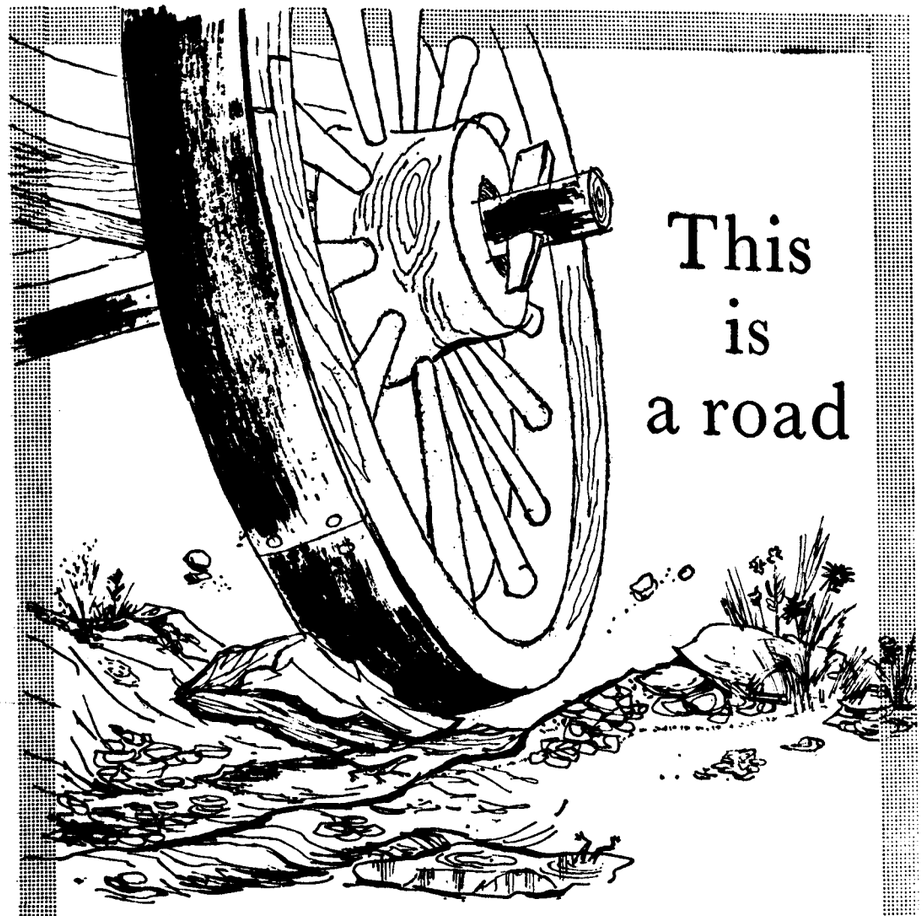
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The Business World

A GREAT SON OF INDIA

By

(CROESUS)

By a curious coincidence, glowing tributes were paid on the same day last April (18-4-1957) to two of India's most outstanding men, who have between them contributed to the economic and constitutional progress of this country in a measure that few other two living contemporaries have done—Padma Vibhushan Sri G. D. Birla and Sir Purshotamdas Thakurdas. The occasions were a public meeting at the Vallabhbhai Stadium to felicitate the former on the conferment of Padma Vibhushan by the Government of India and a largely attended function at the Taj Mahal Hotel to celebrate the publication of the biography of Sir Purshotamdas Thakurdas by Mr. Frank Moraes, Editor of the 'Times of India'. Almost three generations of Indians have had occasion to see these stalwarts at work, sometimes behind the scenes but more often in public, that is inside the legislature, in committees or on commissions. Their enormous industry, their persistence of a stand chosen after mature deliberation and the able manner in which they were able to win over even opponents to their ways of thinking are well-known. But these should be shared by a wider audience and especially the younger generation, and it is because of this that, at the Taj Mahal function, the need for more and more biographies, of our eminent men, was stressed by Mr. M. C. Chagla, Chief Justice of Bombay. Writing a biography is not like writing a story; the author must have intimate knowledge of, and also genuine respect for, the subject of his biography. Mr. Moraes can lay claim to both these which explains why his biography of Sir Purshotamdas Thakurdas has turned out to be such an eminently readable book.

As one skips through the pages of this publication, one's estimation of, and admiration for, Sir P. T. goes on visibly rising. There are woven into the fabric of the narration some striking incidents in the life of Sir P. T. which not only make the hero familiar to the reader but take him intimately near to an admittedly awe-inspiring personality. Who would not be impressed, for example, with Sir P. T.'s valiant fight for the 1sh. 4d. rupee against the determined stand of the Government of the day to maintain it at 1sh. 6d.? Could any Indian afford to forget the services of Sir P. T. to the country on the food front? And can any Indian trader in cotton be over-grateful to Sir P. T. for the great edifice of the E.I.C.A. that he built up and nurtured. By taking the reader into confidence in regard to the background to all these and other great achievements of Sir P. T., perhaps for the first time, the author enables the reader to see Sir P. T. rise to his full stature slowly, steadily and surely.

Although mainly engrossed in business activities, which is only quite natural considering that Sir P. T. is a firm believer in Private Enterprise it must be admitted that his is a versatile career with many an interesting and diversified facet. As has been aptly observed by the publishers, it (Sir P. T.'s career) "stretches across an important latter-day span of the story of India's political and economic life and, in both spheres, he was to play a constructive, often a definitive, role." Surely not many could have known all the contribution of Sir P. T. to the political progress that one finds recorded in these pages. There is in this biography something that not only gives an insight into the patriotic side of Sir P. T. but also demonstrates that, even among those who may not have courted imprisonment during the days of our political struggle, there are genuine nationalists. No greater proof is necessary to establish the claim of Sir P. T. to being as great a nationalist as any of the tallest politician among us today than the respect he used to receive at the hands of the Father of the Nation. Though distantly related to Sir P. T., it is significant that Gandhiji never took any liberty with Sir P. T.—only once did he ever demand money from Sir P. T. for a cause, and that too indirectly through C. F. Andrews—knowing only too well, as he did, Sir P. T.'s strong and highly individualistic, views on any given issue.

The biography is indeed a highly satisfying publication, but, after one has finished reading it, one cannot help feeling that it is like the story of the hero in a Shakesperean tragedy who suffers not because of any serious flaw but because of a common human failing. The episodes leading to Sir P. T.'s exit from the "Oriental" and the E.I.C.A. organisations with which he had been connected so long and so intimately, give a rather tragic touch, as it were, to an otherwise flawless story. One—at any rate this writer—is not competent to say whether there was anything like the Bradlerjan "tragic flaw" in the hero of Moraes' biography, but one cannot but wish that these two episodes had not taken place. This writer cannot but express the view that even the existence of any tragic flaw in Sir P. T. is not a good enough justification for the admittedly cavalier, if not almost ungrateful, way in which this great son of India was allowed to retire from the two organisations so near and dear to his heart.

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BUSINESS NOTES

FROM COAL WAGES TO COAL PRICES

THIS WEEK'S high level tripartite negotiations for the settlement of the dispute over the Labour Appellate Tribunal's award on coal wages have put an end to a vexed controversy. Since wages form a major ingredient in the cost of coal production, the settlement of the question of wages must be treated as only the first main step in the settlement of the larger issue of the price of coal.

In brief, the out-of-court settlement provides that the increases which were granted by the Labour Appellate Tribunal over and above the increases awarded by the Original Tribunal should be accepted as binding by employers and employees and furthermore the retrospective effect given to the Appellate Tribunal's decision from the date on which the Original Tribunal's award became effective, namely, May 26, 1956, should be operative. It ought to be recalled here that the minimum wage for coal miners granted by the Original Tribunal was Rs. 69-1 which was raised to Rs. 78-4-4 by the Appellate Tribunal with a stipulation added as regards equal pay for both the sexes.

In effect, the settlement puts the seal of final confirmation on the Appellate Tribunal's decision. The employers, of course, undertake to withdraw the appeal which they have preferred to the Supreme Court against the decision of the Appellate Tribunal. Obligation to pay higher wages in terms of the settlement will become effective after the Government announces the interim increase in the price of coal which it is expected to do this week-end. Arrears of higher wages arising out of the retrospective effect are to be paid in nine quarterly instalments commencing in mid-October next. The Original Tribunal's award necessitated an increase of Rs. 3-8 per ton of coal and it is obvious that the forthcoming additional increase would be based on the same principle. While the question of a second dose of increase in coal price was being discussed in New Delhi before employers preferred their appeal to the Supreme Court, it was taken for granted that an extra interim increase in price would be awarded for a period sufficient to cover the liability in respect of arrears of higher wages. It will be inequitable if this element of increase is not taken into account in the interim higher price to be announced shortly.

This settlement does not terminate the issue of coal prices — a fact which is patent from the description of the forthcoming wage increase as an interim measure. A committee of enquiry is now seized of the larger question of the fixation of the overall price of coal. By a turn of events, settlement of coal wages has received first priority not as a matter of deliberate choice of preferences but because the coal wage dispute was pending for quite a long time. The question of revision of coal prices is of supreme importance in the context of the ambiticus scale on which expansion of coal production has become inescapable in the second Five-Year Plan. Expansion on the projected scale is hardly possible unless a definite developmental element is included in the price of coal. Colliery owners have clarified their demand for an increase in price for the specific purpose of financing development and undertaken to credit the proceeds of this category of increase to a separate reserve. No clue is so far available to Government's policy on this important aspect of coal price. But it is to be trusted that the enquiry committee will take full cognizance of it on merit.

BOMBAY'S UNCOVERED DEFICIT

IN THE matter of Prudent financial management the State of Bombay undoubtedly ranks high. The past record of the State, particularly, in the first Plan period, bears ample testimony to this.

The budget, for the year 1957-58, presented this week, by the State's Finance Minister, Dr. Jivraj Mehta, is no doubt one more deficit budget, but like the deficit budget of Mysore, it does not contain any new proposals of taxation. Taking a realistic view of the situation, the Finance Minister has studiously refrained from imposing any new taxes for the second year in succession. In view of the increasing cost of living and the heavy share of the additional taxation proposed recently by the Central Government that the people of this State have been called upon to bear, Dr. Mehta's gesture to leave the deficit of Rs. 3.17 crores uncovered by any new tax levies may find justification. But it is also a statesmanlike policy, what with the Finance Commission's recommendations in the offing. Rather than resort to any further tax measure at this stage and court unpopularity, Bombay's Finance Minister has perhaps preferred to keep his fiscal weapons in reserve until after the Commission has reported.

To turn to some important details of the budget. All the figures of revenue, expenditure and deficit, have gone up in the revised estimates presented now, as compared to those found in the interim budget presented in March last. Thus, the receipts on revenue account estimated then were Rs. 106.32 crores, whereas they have now been revised to Rs. 109.44 crores. The revised estimate for expenditure also has gone up to Rs. 112.61 crores from the March figure of Rs. 108.69 crores. In consequence, the March deficit of Rs. 2.37 crores has risen to Rs. 3.17 crores.

Dr. Mehta has stressed two important issues, in the course of his budget speech, which merit consideration. These are the problem of increasing food production and the question of intensifying the small savings drive in the State. As he rightly emphasised, every effort should be made to make the vast rural surpluses available for productive investment. These surpluses have long remained uninvested in a manner contrary to the demands of the economic conditions in the country. If earnest efforts are made to sell National Savings Certificates to the rural masses, the results should not be disappointing. As regards the State's intention to float a loan, Dr. Mehta has not indicated anything clearly. Nor could he be expected to say anything definite, when, while he was preparing his budget speech, the States' Finance Ministers' conference had not yet concluded its deliberations. Since then, the Finance Ministers of all State Governments have met and heard the views of not only their compeers but also those of the Union Finance Minister. The latter has made it clear to the States' Finance Ministers that they have better chances of success if they rely more on national savings than on loan floatations. Taking the air, evidently, Dr. Mehta has chosen to be content with the State's share of the collections from savings, following the Madras Government's footsteps.

MINERAL PRODUCTION

THE PRESS summary of the address of Mr. K. D. Malaviya before the Mineral Advisory Board's meeting on June 26 at Simla does not encourage optimism that the Government has formulated a positive policy for a minimum programme of expansion in mineral production during the second Five-Year Plan. It is undoubtedly good news that the aeromagnetic survey, conducted by the team of Canadian experts has revealed the existence of large deposits of iron ore to the north-east of Jaisalmer. The findings of this survey however, will have to be followed by intensive investigations and prospecting. It is also somewhat hearten-

ing to learn that mineral production went up from Rs. 102 crores in 1954 to Rs. 117 crores in 1956. This progress in itself gives no cause for any sense of pride, but considered in the context of transport difficulties which persisted throughout the period in question it is encouraging.

Adverting to the transport bottleneck, Mr. Malaviya was altogether non-committal in what he said. It served no purpose to reiterate that there was universal awareness of transport shortages which, therefore, did not require any reference. But this next assertion to the effect that, even if there was cause for any anxiety on this score, there was no need to get "unnecessarily" depressed about it, shows, to say the least, reluctance to face a problem which may prove to be a real handicap to the development of mineral output. Some mercies have been shown to the private sector and it has been assured that there would be room left for its participation in the exploitation and export of minerals by reason of the existence of small mining areas scattered in different regions. An attitude of this kind shows less than adequate appreciation of the capacity of the public sector to undertake onerous tasks of mineral expansion as in the case of coal and of the vital role which ought to be assigned to private enterprise. The difficulty regarding shortages of technical manpower is to be tided over by resort to short-term training courses of two years' duration. Taking into account the possibilities for the provision of such courses, it is problematical whether cadres trained at this level will be available in sufficient numbers during the period of the second Plan.

CONGESTION IN BOMBAY DOCKS

HOW A bottleneck in transport can lead to a stalemate and make even a Union Minister run up from Delhi to Bombay is illustrated by the congestion that is prevailing in the docks of Bombay today and the avoidable delay in distribution of food grains that it has given rise to. Today (23-6-57) as many as eight foodships carrying 51,000 tons of food grains and one ship carrying 9,000 tons of fertilisers are waiting in mid-stream for berths to become vacant in the docks. There is not only resulting delay in distribution that this gives rise to, but there is also the question of the heavy demurrage charges that the Government of India has to pay to shipping companies. It is estimated that the Government of India pays something like Rs. 5 lakhs per month on this account alone.

Perhaps the congestion in the Bombay docks today is something that could not be prevented, although it cannot be said that it could not have been foreseen. Surely, if a Port that is allotted to handle only 7.5 million tons a year is asked to handle over 12 million tons, the Port authorities are not to blame, whether this abnormal increase in tonnage it is asked to handle is the outcome of the Suez episode or of the steadily swelling volume of imports under the second Five-Year Plan or, for that matter, of the unexpectedly large quantities of food grains that it has suddenly become necessary for this country to import. The simple fact of the matter is that the Bombay Port cannot handle all this tonnage and must have relief. Relief can come only in two ways, namely, by diverting some ships to other ports and by expediting unloading of goods from ships.

Now, it has been found that the prospects of diverting ships from Bombay to other ports are severely limited. It is stated, for instance, that Kandla Port cannot take more than one ship per week for the reason that only 800 tons of food grains can be lifted by the Railways from that Port. The only other way left then is to expedite unloading so as to meet the abnormal situation prevailing at present. Normally, the Bombay dock workers can unload and handle 5,000 tons per day, but they are now required to handle 8,000 tons, that is an increase of more than 50 per cent, and this in the present inclement weather which normally reduces output by about 20 per cent. It must, however, be said to the credit of the Food Ministry that it got installed two electric elevators capable of handling 3,000 tons per day, exactly the additional quantum of food grains that workers have to handle now, about 18 months ago. One would have thought here was a readily available solution, but the dock workers and the contractors deem these elevators as labour-saving intruders which affect their living and have, therefore, prevented their being put into commission till now. The daily worsening food situation prompted the powers-that-be to appeal to Mr. Gulzarilal Nanda, Union Minister for Labour, to go over to Bombay and persuade the workers either to increase their daily turnover by over 50 per cent or to accept the use of elevators. He has been able to prevail upon, and get an assurance from, the dock workers that they would increase their daily turnover to the extent needed, subject to certain reasonable facilities being extended to them. It now remains to be seen how this undertaking of the workers will be translated into action without any hitch.

One is not certain that this will be the end of the present trouble, even assuming that all sections of workers and contractors co-operate to redeem their pledge to Mr. Nanda. For there is the problem of wagons to move the food grains. Perhaps, as Railway wagons do not fall within the direct purview of Mr. Nanda, he did not throw light on how far the railways are equipped to meet this additional and urgent haulage problem, but one hopes that the good work of the Union Labour Minister and the willing co-operation promised by the dock workers, notwithstanding their objection to the use of elevators, will not be allowed to be undone by any failure on the part of the railways to rise to the occasion.

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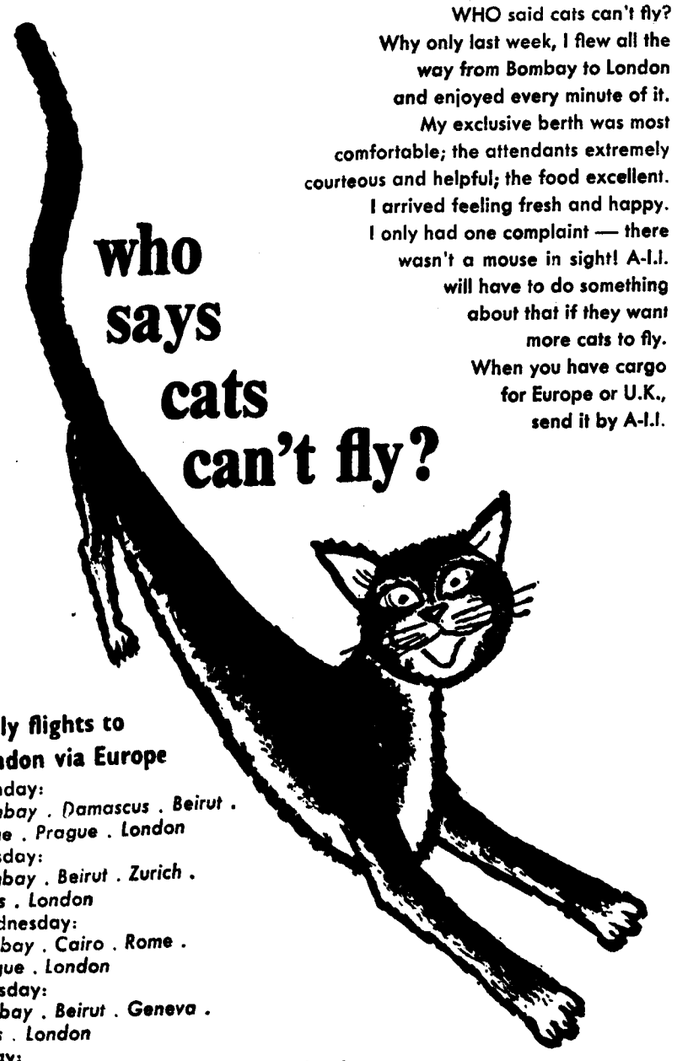
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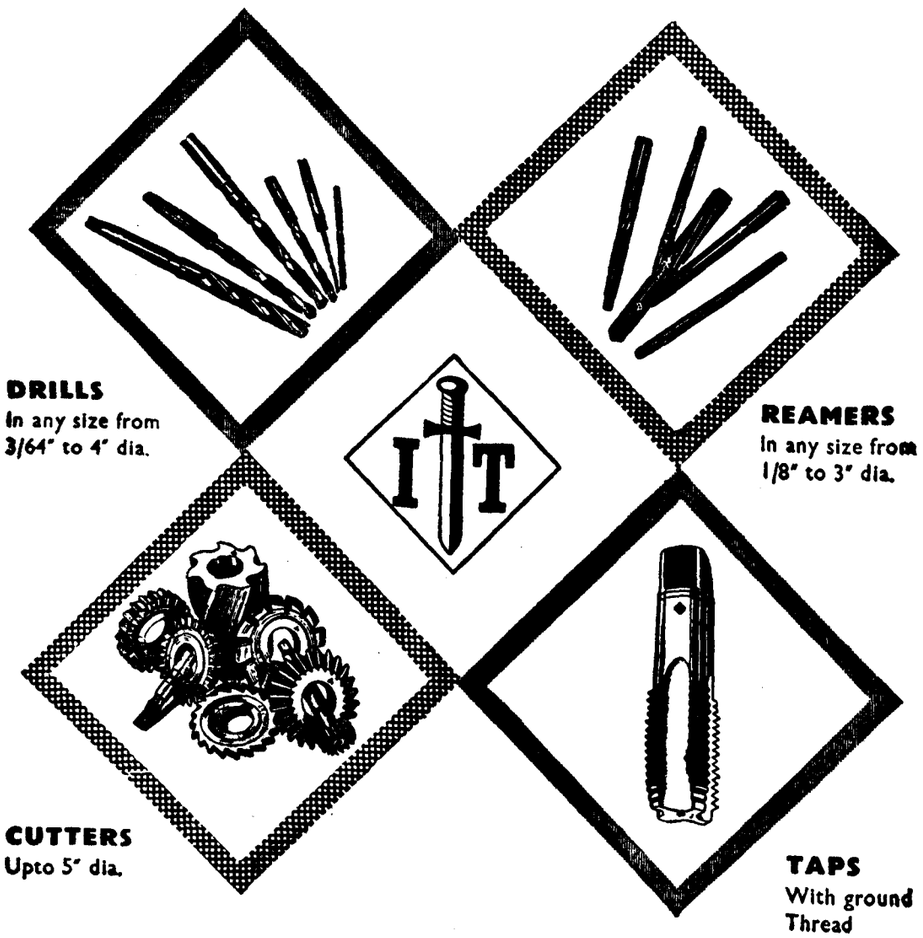
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The working results of the Company for the half-year ended December 31, 1956, show a gross profit of Rs. 28,00,814. After providing for interest on Debentures and other interest, Managing Agents remuneration, Depreciation, Contribution to Staff Welfare Fund etc. the account shows a net profit of Rs. 20,03,605, against Rs. 19,67,055 during the previous half-year. A sum of Rs. 9,75,000 has been set aside for Income-tax etc. and Rs. 13,985 has been provided by way of Development Rebate leaving a balance of Rs. 11,32,355 in the profit and loss account including Rs. 1,17,735 being surplus brought forward from the last Balance Sheet.

The Directors have proposed to a dividend on Preference Shares at the sale of 8 per cent per annum, which will consume a sum of Rs. 30,000. Another sum of Rs. 7,34,316 will be consumed towards the payment of a dividend on Ordinary Shares at the rate of 12½ per cent per annum, for the period under review. A balance of Rs. 3,18,038 has been proposed to be carried forward.

The production of paper during the period under review was 7041.4 tons against 6358.0 tons produced during the previous half-year. Due to the enhancement of excise duty, prices were increased slightly. The Company has placed orders for the machinery required for the expansion of the Power House and the Steam Generating Unit.

The Vanaspati Section of the Company did not fare well because most of the time factory was closed. The trend of oil and vanaspati prices was extremely erratic and the Company did not find it advisable to carry on production. The entire quantity produced and brought forward from the last half-year was disposed of; the sales amounting to 687 tons.

THE INDO-BURMA PETROLEUM COMPANY, LTD.

The income of the Company for the year ended December 31, 1956, was at Rs. 3,52,89,946 against last year's Rs. 3,37,90,493 but the gross profits for the year were lower at Rs. 50,71,823 against previous year's Rs. 57,85,972. Depreciation on Building, Roads, Plant, Motors and Vehicles was Rs. 3,90,797. The provision for Taxation at Rs. 28,92,557 was at last year's level (Rs. 28,90,000).

Dividend on Ordinary Shares has been proposed to be paid at 20 per cent against last year's 40 per cent which has absorbed Rs. 20,00,000 (Rs. 40,00,000). A sum of Rs. 56,48,935 has been decided to be carried forward.

During the year, with the consent of Government, the Company entered into a joint venture with Messrs. Steel Brothers and Co., Ltd., in prospecting the Oil in England. Two wells have been drilled in Lancashire which failed to prove oil or gas in commercial quantities and were abandoned. The Company's share of expenditure on this account was Rs. 5,93,030. Preparations are now in hand to test another structure which is considered to have reasonable prospects.

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The working results of the Company show a loss of Rs. 65,330 after taking into account the sums of Rs. 85,000 for provision to write down jute stock and in transit to estimated realisable value, and Rs. 65,000 for Depreciation. The Credit Balance brought forward from the previous half-year is Rs. 23,103 and the amount overprovided in Liability in respect of previous period written back is Rs. 21,343. An amount of Rs. 1,00,000 has been transferred from General Reserve Account.

The Directors have recommended a Dividend on 15,000 Preference Shares at Rs. 3 per Share for the half-year ended 30th June, 1956, absorbing Rs. 45,000 and leaving Rs. 34,402 to be carried forward.

In accordance with the Main and Supplementary Working Time Agreements of the Indian Jute Mills' Association, the mills worked 48 hours per week with 12½ per cent of the total looms sealed until January 8, 1956. This figure was reduced to 10 per cent from January 9, 1956 and to 5 per cent from February 20, 1956. Since the close of the period the Industry sealed 2½ per cent of the total looms from July 16, 1956 and a further 5 per cent on September 17, 1956, again making a total of 12½ per cent of the total looms sealed. Trading conditions throughout the half-year continued to be difficult, and with the increase in produition due to unsealing of looms prices fell rapidly and at no time was it possible to transact business simultaneously in raw jute and goods at a profit. Labour relations have been satisfactory.

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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COMMODITY NEWS AND NOTES

INCREASED PRODUCTION OF IRON ORE IN INDIA

There was increased production of iron ore in India during the first quarter of 1957. The output, according to the Indian Bureau of Mines, rose to 1,305,000 tons from 1,302,000 tons in the previous quarter. The principal producing States are Orissa and Bihar which recorded an output of 528,000 tons and 479,000 tons respectively in this quarter. The opening stocks of iron ore in January, 1957 were reported to be 1,625,000 tons which show an increase of 300,000 tons over the opening stocks at the beginning of last year.

PRODUCTION OF MANGANESE ORE IN INDIA

India produced 430,000 tons of manganese ore during the first quarter of 1957. This represented an increase over the output of the quarter—October-December, 1956. Compared with the corresponding quarter of the preceding year, the production has registered a fall of 69,000 tons. The opening stocks in January 1957 were reported to be 1,309,000 tons as against 1,034,000 tons in January, 1956. Among the States, Orissa accounted for 108,000 tons of production, Bombay 88,000 tons, Madhya Pradesh 85,000 tons and Andhra Pradesh and Mysore 65,000 tons each.

HIGH-CALCIUM LIMESTONES OF INDIA

The National Chemical Laboratory, Poona, undertook a survey of high grade limestone deposits in terms of their physical and chemical properties. The results of the survey carried out so far have been recorded by Drs. H. C. Bijawat and S. L. Sastry in the form of an interim report, just published, under the title "High-Calcium Limestones of India". It gives a detailed account of the characteristics of 50 samples of limestones (and limes derived therefrom) obtained from the various States of India, specifications for limestones and limes for use in different chemical industries and an assessment of the quality of the limestones and limes in respect of their suitability for various chemical applications. The report for the first time makes available data on the porosity, compressive strength, physical change on calcination and nature of limestone. The inclusion of manufacturers' data relating to limestones and limes consumed in different chemical industries in India makes the publication very useful to the chemical industry for making a suitable selection of limestones for particular needs.

COPPER DEPOSITS IN RAJASTHAN STATE

The Geological Survey of India has recommended geochemical prospecting to assess the copper mineral content in the Khoh-Dariba area of Alwar District, Rajasthan State. The department investigated the area during the last two field seasons for determining the nature and extent of mineralisation and to prepare a scheme for exploration. There are old abandoned copper mines in the Khoh-Dariba area, about 40 miles south of Alwar town. A very rough estimate based on the stoped area of the Dariba mine shows that about 400,000 cubic feet or 30,000 tons of copper ore were removed from the mine. The calculation has, however, been made on guess-estimates of the total height of the stopes which in places are more or less filled with waste or are inaccessible.

INCREASING EXPORTS OF SALT TO JAPAN

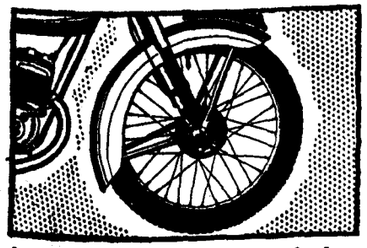
There is scope for increasing salt exports to Japan, provided India is able to meet competition from China, Egypt, Spain and Formosa, the other main suppliers of salt to Japan. India was the second largest salt supplier to Japan during 1956, whereas in the previous year she occupied the fifth position. During January to November, 1956, India supplied 252,133 tons of salt to Japan out of a total of 2,038,838 tons imported into that country. The corresponding figures for 1955 were 145,675 tons and 1,748,276 tons, respectively. China continued to be the leading supplier, meeting 35 per cent of Japan's salt requirements. Salt is one of the items in respect of which the Japanese Government exercises monopoly control and all imports are effected on behalf of the Japan Monopoly Corporation, a Government organization.

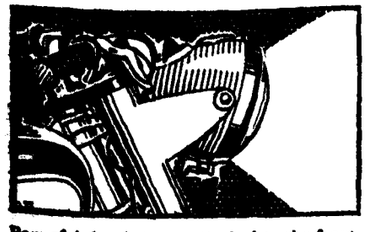




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RE-3

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CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	(Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398·6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952 53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
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
1956-57 ..	388.5	501.9	402.3	384.6	559.3	414.0	—	—	—	—
November „ c ..	411.6*	514.2*	416.6	387.6	590.6	427.7*	90.1	100.2	82 0	122.9
December „ c ..	413.9	517.1*	417.5	389.9	590.3	428.8*	89.8	100,0	80.6	117.8
January 1957 ..	392.1	525.0	412.4	387.1	592.7	422.1	89.8	99.8	80 4	113.6
February „ c ..	406.0	520.5	410.6	385.0	585.2	425.0	89.8	99.1	79.7	113.8
March „ c ..	402·7	518·1	403.3	384.1	569.8	421.3	89.9	98.9	79 8	111.5
April „ c ..	408.3	514.73	400.0	384.3	567.8	422.1	89.9	99.0	78.7	106.8
May „ c ..	418.7	536.3	406.5	387.6	572.3	439.9	89.4	99.1	78.4	104.1
20-4-1957 ..	411·1	516.4	400.4	384.1	568.5	423.3*	90.0	99.0	78.4	106.8
27-4-1957 ..	411.6	514.0	401.4	384.6	570.6	423.5	90.0	99.0	78.5	107.0
4-5-1957 ..	401.4*	531.0*	401.9	384·2	573·6	422.7	90 0	99.1	78.6	106.4
11-5-1957 ..	419.0	534.4	401.8	384.6	570.7	428.9	90.0	99.1	78.6	105.5
18-5-1957 ..	423.7	540.6	410.0	390.0	572.9	434.7	89.9	99.1	78.5	103.7
25-5-1957 ..	430.9	539.2	412.3	390.4	571.6	437.3	89.6	99.0	78.0	103.2
1-6-1957 ..	438.0	541.4	413.3	390.7	570.9	440.0	89.7	99.0	77.8	103.4

c Average of weeks. Revised*

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

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

Period	Bombay	Bombay June 1934 =100	Ahmedabad July 1927=100	Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay			Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Lucknow†	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	336	352	244	142	347	424	—	—	356	—	—	145
1956 June	342	358	240	141	350	419	400	156	365	151	146	146
July	338	354	244	144	365	436	400	153	369	153	148	148
August	344	361	253	147	368	445	403	154	372	154	151	150
September	336	352	256	149	366	445	403	153	368	151	156	149
October	342	358	261	152	364	449	407	153	362	153	153	149
November	340	356	261	154	361	446	407	154	369	157	153	152
December	340	356	259	151	356	436	407	156	370	157	149	150
1957 January	339	355	252	150	354	438	411	156	372	157	144	149
February	341	357	253	150	350	435	411	158	369	157	148	148
March	340	356	254	150	348	433	—	158	367	158	148	148
April	340	356	—	148	345	427	—	—	369	—	—	148

†Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

186-0	WEEK ENDED											
	24-5-1957			17-5-1957			10-5-1957			3-5-1957		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold per fine tola ..	112- 2	108-12	110-12	110- 1	107-15	108-14	108- 6	105- 9	106-13	105-15	104-15	105- 8
Silver (per 100 fine tolas)	190-12	186- 0	188- 9	186-11	185- 0	185-10	186- 1	182- 6	183-15	183-13	182- 0	182-14

TEN YEARS OF INDIAN AGRICULTURE

Crop	Production/Yield Per acre	1947-48	1948-49	1949-50	1950-51	1951-52	Average for quinquinnum ending 1951-52
1	2	3	4	5	6	7	8
CEREALS:							
Rice	Production ('000 tons) . .	21,247	22,597	23,170	20,251	20,964	21,646
	Yield per acre (in lbs.) . .	739	698	688	596	637	672
Jowar	Production ('000 tons) . .	5,971	5,022	5,777	5,408	5,981	5,622
	Yield per acre (in lbs.) . .	369	305	338	314	340	333
Bajra	Production ('000 tons) . .	2,813	2,171	2,790	2,554	2,309	2,527
	Yield per acre (in lbs.) . .	303	246	273	257	220	260
Maize	Production ('000 tons) . .	2,431	2,072	2,014	1,702	2,043	2,052
	Yield per acre (in lbs.) . .	640	551	559	488	560	560
Ragi	Production ('000 tons) . .	1,455	1,465	1,520	1,407	1,291	1,428
	Yield per acre (in lbs.) . .	633	613	625	579	535	587
Wheat	Production ('000 tons) . .	5,570	5,650	6,290	6,360	6,085	5,991
	Yield per acre (in lbs.) . .	599	566	584	593	583	585
Barley	Production ('000 tons) . .	2,640	2,206	2,215	2,340	2,339	2,346
	Yield per acre (in lbs.) . .	781	641	631	681	669	681
Small Millets	Production ('000 tons) . .	1,614	2,131	2,242	1,722	1,885	1,919
Total Cereals	Yield per acre (in lbs.) . .	481	314	375	339	359	367
Total Cereals	Production ('000 tons) . .	43,741	43,314	46,018	41,744	42,888	43,541
PULSES:							
Gram	Production ('000 tons) . .	4,503	4,535	3,667	3,593	3,334	3,926
	Yield per acre (in lbs.) . .	522	496	401	430	443	458
Tur	Production ('000 tons) . .	1,015	966	1,000	1,692	1,801	1,295
	Yield per acre (in lbs.) . .	419	440	403	703	667	526
Other Pulses	Production ('000 tons) . .	2,735	2,939	3,363	2,993	3,152	3,307
	Yield per acre (in lbs.) . .	296	317	317	291	301	394
Total Pulses	Production ('000 tons) . .	8,253	8,440	8,030	8,278	8,287	8,258
TOTAL FOOD GRAINS	. .	51,955	51,754	54,048	50,022	51,175	51,791

TEN YEARS OF INDIAN AGRICULTURE (Contd.)

Crop	Production/Yield Per acre	1952-53	1953-54	1954-55	1955-56	1956-57	Average for quin-quinnum ending 1956-57	Percentage increase + or decrease — of Col. 16 over Column 18 17
9	10	11	12	13	14	15	16	
CEREALS:								
Rice	Production ('000 tons) ..	22,537	27,769	24,531	26,846*	27,142F	25,965	+20.0
	Yield per acre (in lbs.) ..	682	805	724	772	806	760	+12.8
Jowar	Production ('000 tons) ..	7,243	7,954	9,093	6,602	7,424	7,663	+36.0
	Yield per acre (in lbs.) ..	374	406	469	345	403	399	+19.8
Bajra	Production ('000 tons) ..	3,142	4,475	3,421	3,369	2,931	3,479	+37.3
	Yield per acre (in lbs.) ..	264	333	274	271	240	276	+ 6.2
Maize	Production ('000 tons) ..	2,825	2,991	2,939	2,554*	3,020F	2,866	+39.7
	Yield per acre (in lbs.) ..	710	701	707	627	732	695	+12.7
Ragi	Production ('000 tons) ..	1,316	1,846	1,646	1,820*	1,914F	1,708	+19.6
	Yield per acre (in lbs.) ..	532	717	646	716	756	673	+12.7
Wheat	Production ('000 tons) ..	7,382	7,890	8,778	8,348	8,616	3,203	+36.9
	Yield per acre (in lbs.) ..	681	670	713	640	658	672	+15.0
Barley	Production ('000 tons) ..	2,882	2,905	2,870	2,721	2,443	2,764	+ 7.8
	Yield per acre (in lbs.) ..	805	746	774	748	657	746	+ 9.5
Small Millets	Production ('000 tons) ..	1,895	2,438	2,456	2,379	1,759	2,185	+13.8
Total Cereals	Yield per acre (in lbs.) ..	341	389	396	407	301	367	..
Total Cereals	Production (,000 tons) ..	49,222	58,268	55,734	54,649*	56,249	54,823	+25.9
PULSES:								
Gram	Production ('000 tons) ..	4,142	4,756	5,393	4,865	4,804	4,865	+22.4
	Yield per acre (in lbs.) ..	517	542	548	548	548	541	+18.1
Tur	Production ('000 tons) ..	1,675	1,834	1,688	1,814	1,603	1,723	+33.0
	Yield per acre (in lbs.) ..	633	691	636	706	643	662	+25.9
Other Pulses	Production ('000 tons) ..	3,227	3,860	3,789	3,508	3,522	3,581	+17.9
	Yield per acre (in lbs.) ..	287	309	441	393	295	345	+13.5
Total Pulses	Production ('000 tons) ..	9,044	10,450	10,870	10,187	9,990	10,108	+22.4
TOTAL FOOD GRAINS	..	51,799	58,266	68,718	66,604	64,836*	66,239	+25.4

F—Final Estimates.

U. K. TRADE WITH INDIA

I. PRINCIPAL IMPORTS

(Thousand £)

	Full Year 1956	April 1956	April 1957	4 Months Jan.-Apr. 1956	4 Months Jan.-Apr. 1957
Total All Imports	141,468	12,755	11,561	48,712	66,585
Of which :-					
Tea	68,893	5,795	6,012	21,663	40,532
Leather, leather manufactures & dressed furs	11,475	926	952	5,120	5,145
Tobacco & tobacco manufactures	8,178	458	3	762	154
Wool & other animal hair and tops	4,154	484	301	2,173	1,636
Cotton	3,379	693	227	2,042	1,286
Miscellaneous textile fibres & waste	837	118	131	299	411
Crude fertilisers & crude minerals, excluding fuel	1,740	171	141	705	774
Metalliferous ores & metal scrap	2,497	345	367	889	1,296
Miscellaneous animal & vegetable crude materials	4,003	320	421	1,509	1,927
Animal & vegetable oils, fats, greases & derivatives	7,908	393	306	2,026	1,666
Cotton yarns & woven fabrics	7,475	607	938	2,499	3,382
Miscellaneous textile manufactures	11,729	1,509	1,044	4,791	5,304

II. PRINCIPAL EXPORTS

(Thousand £)

	Full Year 1956	April 1956	April 1957	4 Months Jan.-Apr. 1956	4 Months Jan.-Apr. 1957
Total All Exports	167,837	13,172	14,823	55,297	61,704
Of which :					
Machinery other than electric	45,271	3,982	3,371	14,592	16,106
Electric machinery, apparatus & appliances	21,204	1,747	1,933	6,895	8,319
Wool & other animal hair and tops	5,359	565	602	1,844	1,869
Petroleum & petroleum products	2,376	299	138	884	637
Chemicals	18,266	1,575	1,438	6,405	7,051
Paper, paperboard & manufactures thereof	1,418	83	64	537	531
Iron and steel	15,926	1,404	1,471	5,325	6,398
Non-ferrous base metals	3,993	221	218	733	1,284
Manufactures of metals	13,453	486	1,662	5,498	4,963
Railway vehicles	6,473	190	576	1,932	2,740
Road vehicles & aircraft	11,927	993	1,596	4,017	5,511
Scientific instruments; photographic & optical goods; watches & clocks	2,941	249	318	896	1,156

III. U. K. MACHINERY EXPORTS TO INDIA

(Thousand £)

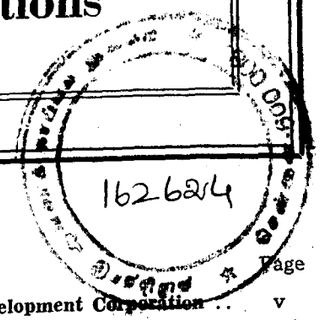
	Full Year 1956	April 1956	April 1957	4 Months Jan.-Apr. 1956	4 Months Jan.-Apr. 1957
Total Machinery	66,475	5,729	5,304	21,487	24,425
Of which :-					
Boilers & boiler-house plant	2,252	235	105	909	608
Internal combustion engines	2,236	196	216	683	1,034
Agricultural & track laying tractors	1,285	189	61	434	376
Office machinery	1,001	123	122	379	424
Machine tools (excluding portable power tools)	2,657	251	291	909	1,241
Pumps	992	67	61	314	338
Industrial & works trucks & tractor & mechanical handling equipment	2,245	292	168	890	1,048
Excavating & earth-moving machinery & road rollers	2,290	241	85	656	475
Mining & well drilling machinery	566	48	29	136	193
Printing & bookbinding machinery & printing type	839	63	31	265	241
Textile machinery	9,861	800	613	3,558	2,940
Generating sets, generators & motors	3,498	251	301	1,150	1,236
Converting machinery, transformers, switch gear & switchboards	4,799	435	666	1,536	2,280
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,846	161	79	649	634
Telegraph & telephone equipment & line apparatus	733	30	13	175	249
Electric cables, wires, strips & strands, insulated	5,401	527	503	1,933	2,140

Source:—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

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Industrial Finance Corporations



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Emergence of Finance Corporations

THE establishment of credit corporations for the provision of finance for industry immediately in the wake of Independence is in no sense a casual development. It is the result of a conscious policy adopted by the Government to stimulate the growth of new industries and expansion of existing ones. The problem of provision of finance inevitably came to the fore-front. Commercial banks have built a highly developed credit structure in this country. To the extent it is possible within the limits of their commitments on deposits, they have always been prepared to accommodate industry in respect of its requirements of working capital. It was, however, outside their normal jurisdiction to invest in long-term industrial stock. Whether commercial banks should or should not change their traditional policy and switch over to long-term investment in industry has always been debated. The answer to this question was seldom in doubt. It was finally given by the Shroff Committee, which, while exhorting them to extend their investment portfolio in securities of industrial concerns of proved competence, cautioned them not to change the essential pattern of their lending operations.

No time was lost by the Government in coming to the conclusion that if provision for industrial finance is to be met consistently with the rapidly increasing pressure of demand for it, one effective way to do it was to encourage the establishment of industrial finance corporations sponsored and encouraged by the Government. Within less than two years of Independence, the Industrial Finance Corporation of India came into existence. In retrospect it would appear that rather ambitious hopes were entertained about its role as a supplier of credit for industry. The full implications involved in this novel field of credit were perhaps not fully appreciated. Considering the under-estimation of the requisite time for its activity to gather tempo, it can fairly be said that the Industrial Finance Corporation has rendered a good account of itself.

At the State level it was found essential to start the counterparts of the Industrial Finance Corporation for the provision of credit to medium and small-scale industries. With the passage of the State Financial Corporations Act the way was cleared for the establishment of these institutions. Most of them started their business operations recently while the earliest ones did not do so more than three years before. State Financial Corporations have not been able to come up to the expected standards of performance. It would, however, be premature to come to any judgment on their potentialities. Nevertheless, a good deal of drive and businesslike management will have to go into their operations if they are to achieve their object.

The National Industrial Development Corporation marks an important phase in the development of industrial banking in this country. An ambitious role has been assigned to it in the public as well as in the private sectors of industry. Its main purpose would be formulation of projects for establishing new industries or developing new lines of production. Sizeable funds have been placed at the disposal of this Corporation and it has already embarked upon a programme of financing the rehabilitation of cotton and jute textile units which have received priority by reason of their export potential. This Corporation in its first stage has also undertaken programmes of development of newsprint, aluminium and foundry projects. In the context of the near future the limiting factor on the expansion of its activities will be the availability of technical personnel.

Next in the chronological order comes the Industrial Credit and Investment Corporation. The most

outstanding feature of this Corporation is that it represents collaboration of foreign and domestic private enterprise for the promotion of industrial credit. American and British participation in investment has given it a solid basis. Its resources have been strengthened by the proceeds of the U.S. steel counterpart fund and Rs. 7.5 crores have been placed at its disposal. The essential purpose of this Corporation is to render assistance to industries in the private sector by grant of loans or participation in equity shares or by underwriting the issues of new shares. Paper, electrical equipment, chemicals and textile machinery have received the first priority in its programme of assistance.

The latest in the field, but essentially in the global sphere, is the International Finance Corporation. India has acquired original membership of this Corporation and she expects her due share of assistance from the Corporation's resources. A benefit of great value which underdeveloped countries stand to gain from participation in the activities of this Corporation is the supply of managerial skills — an aspect of industrial organisation which has not received the attention it imperatively demands in all these countries.

This Blue Supplement seeks to give an integrated picture of the operations and potential benefits of these Corporations in the advancement of industries at all levels. During the brief period of their working one handicap has already been disclosed. That is the overlap in functions. The Industrial Finance Corporation is bound to feel the impact of the parallel working of the National Industrial Development Coporation and the Industrial Credit and Investment Corporation. At the State level, some of the State Finance Corporations have found considerable difficulty in exploring means for employing their funds to the full. This is because of credit provided by State-aided agencies on liberal and attractive terms. Difficulties of this kind were not unexpected, but they cannot in any sense be regarded as a threat to the growth of these institutions. The demand for industrial finance is growing at such a rapid rate that the multiplicity of supplying institutions would be not only no hindrance to smooth functioning but a positive aid. Competition should prove in the long run to be an incentive for the adoption of progressive management policies and efficient methods of business.

Industrial Finance Corporation

THE Industrial Finance Corporation of India, which is the first industrial banking institution to be established in this country on a comprehensive nation-wide basis with government participation in share capital and active assistance in diverse ways, is running the ninth year of its existence. Its financial operations during the eight years completed on June 30, 1956, disclose that its role as a supplier of loan finance for industry has been modest. It is possible to argue that the initial difficulties inherent in this sphere of banking in this country were not fully assessed in raising the expectations about its progress. This argument is valid in a partial sense. With the element of risk in its business operations having been held within reasonable dimensions due to government assistance and guidance, its actual performance could have been imporved upon. Now that the National Industrial Development Corporation and the Industrial Credit and Investment Corporation have emerged in this field the IFC may be deemed to assume the status of a junior partner.

NATURE OF LENDING

The magnitude of its lending operations over the eight years can be fairly assessed in terms of annual averages. It sanctioned loans at an annual average rate of Rs. 5.4 crores, whereas disbursement of loan amounts worked at an annual average of Rs. 2.09 crores. The actual amounts under the two heads are tabulated below:

Year (Ending June 30)	Loans sanctioned (Rs. Crores)	Loans Distributed (Rs. Crores)
1949	3.42	1.33
1950	3.77	2.08
1951	2.39	2.38
1952	4.45	1.78
1953	1.44	2.50
1954	5.27	2.82
1955	7.34	1.64
1956	15.13	2.20
TOTAL	43.21	16.73

An important trend which the above figures establish is the absence of any correlation between loan sanctions and disbursements of amounts. The gross disparities between these two factors of lending operations are strikingly brought out by the figures for two years. In 1952-53 sanctions were the lowest ever at Rs. 1.44 crores while disbursements stood at Rs. 2.5 crores exceeding the average for the entire period. In the eighth year 1955-56 sanctions attained an impressive new peak of Rs. 15.13 crores but disbursements stood marginally above the average at Rs. 2.20 crores. It is undoubtedly true that sanctions constitute the index of the readiness of the Corporation to supply credit and disbursements are determined by the estimates of the borrowing enterprises of their requirements of finance from time to time as well as their desire to reduce liability on account of payment of interest. The outstanding commitments, after deducting the disbursements actually made, amount to Rs. 20.25 crores by reason of the fact that out of the total sanctions Rs. 6.22 crores represent loans subsequently declined or not made available on grounds which do not necessarily cast reflection on the credit-worthiness of the borrowers.

DISTRIBUTION OF BENEFIT OF RESOURCES

The benefit of IFC's total sanctions of Rs. 43.21 crores was extended to eleven categories of industries according to the classification which it adopted as late as 1954-55. This classification has been referred to here for convenience of assessment over the whole eight-year period. Categories of industries which were granted loans in excess of Rs. 1 crore have been tabulated below in the order of the loan amounts they were sanctioned:

Category of Industry	Amount of sanctioned loans (Rs. Crores)
Sugar	11.59
Cotton Textiles	6.10
Chemicals	5.87
Paper	4.22
Cement	3.40
Mechanical Engineering	1.68
Electrical Engineering	1.56
Ceramics and Glasses	1.50
Automobile and Tractors	1.34
Light Engineering	1.34
Rayon	1.10

The assistance given to the sugar industry rests on special considerations. Rs. 5.50 crores or about half the total sanctions during the eight years for the industry were granted in 1955-56. There is a deliberate bias in favour of financial help to the sugar industry because of the policy which the Government is following to promote co-operative sugar factories. They are now the major recipients of assistance. Certain conditions are prescribed which require the co-operatives to subscribe a definite share of the capital. Furthermore, the Central and Union Governments guarantee payment of interest and repayment of principal fifty per cent each. IFC has been instructed to be liberal in its tests of eligibility of the co-operatives for loans on the gorund that the production target of the industry has been raised.

In the statistical tables of the Supplement will be found a comprehensive table explaining the break-down of the aggregate sanctioned loans according to industries as also according to States. The position relates, of course, to the States before reorganisation in October last. Bombay, West Bengal, Madras, Bihar and Travancore-Cochin represent in the order set out the major beneficiaries. Madhya Pradesh, Delhi, Madhya Bharat and Assam represent the reverse order. In recent years the attitude of the IFC has been to provide larger accommodation to States which had not before drawn upon its resources. Thus Andhra, Punjab and Uttar Pradesh are receiving larger amounts of aid. This attitude has been prompted by a desire to meet the contention that the industrially less developed States should be accorded special consideration. The Corporation cannot go very far in meeting this claim for the obvious reason that a credit institution can come into the picture at the proper stage and it is not an agency to take initiative in promoting industrialisation of less developed regions. The margin of relaxation which it can exercise is narrow inasmuch as it is under an obligation to adhere to normal principles of sound banking.

SOUND MANAGEMENT POLICY

An examination of the schedule of repayment of principal discloses that the borrowing enterprises in general have honoured their obligations. Out of the aggregate amounts due on this account of the order of Rs. 2.25 crores the amount of default is Rs. 56 lakhs or 24.9 per cent. If the Sodepur Glass Works is excluded, this amount would be considerably reduced and account for five cases of default. Assets of one enterprise have been sold and those of another have been leased. Since IFC's basic objective is to promote industrialisation and not to function as a full-fledged profit-earning bank, its policy is to explore all practicable means to restore financial viability to the borrowing concern. Sale is resorted to as the last measure but here again the object is to safeguard the existence of the enterprise. This was exemplified by its handling of Sodepur Glass Works which were handed over to a Japanese manufacturing company on forming the Indo-Asahi Glass Company with a rupee capital. An amendment made in the Industrial Finance Corporation Act in September 1955 empowers the IFC to lease a defaulting concern instead of selling it. Reference is made earlier to one case of lease. No sale can be effected now without prior reference to the Government. The IFC's record of recoveries of interest is worthy of appreciation and speaks as much for its prudence in approving loans as for the earnestness of the borrowers to discharge their obligation in this behalf. Out of the total amount due on interest to the tune of Rs. 2.81 crores, Rs. 2.73 crores were received, disclosing defaults of the order of 6.4 per cent. The major share of defaul is due to enterprises which have defaulted in payment of principal.

The capital structure is being maintained on an expanding basis and the assets and liabilities position is sound as shown by the published balance sheet from year to year.

The IFC has exercised its statutory power to borrow from the Reserve Bank cautiously. Last year Rs. 66 lakhs out of Rs. 1.48 crores which it borrowed from the Reserve Bank was repaid. It has so far not taken up any debentures or underwritten any issues of capital or guaranteed any loans of industrial concerns.

PARLIAMENTARY CONTROL

By and large, the management of the IFC has been scrupulous in applying appropriate tests to sanctions of loans and in prescribing conditions for their grant. Nevertheless, it became the object of a heated controversy in Parliament which resulted in the appointment of the Sucheta Kripalani Committee for investigation into the conduct of certain of its operations. One major case showed a large error of judgment. In fairness, however, it must be stated that it did not incur a verdict showing want of bona fides or positive or gross negligence of the interests of shareholders. The Committee's recommendations have resulted in the amendment of the Industrial Finance Corporation Act, the main change being the appointment of a full time Chairman to be in top charge in place of the erstwhile Managing Director. The irregularities disclosed in the Committee's enquiry were again the subject of the audit report for 1953-54.

The issue of principle involved in the enquiry as well as the auditor's report really was whether or not discretion should be granted to the managing authority in the conduct of loan operations. Where mala fides are not attributed but the objections rest essentially on irregularities of procedure, this issue becomes relatively simple for a practicable answer. Exercise of discertion pertains to the varying conditions on which loans are granted. It should not be difficult to appreciate that reasonably varying creteria ought to be appplied to different applicant enterprises, depending primarily on their creditworthiness, the soundness of the enterprise which is to be financed and in certain cases its key importance to the economy. On the one hand, the objection is raised that loans are granted to companies which could float debentures or issue fresh capital and, on the other, criticism is levelled for keeping funds idle. The fair conclusion to draw would be that so long as management policies do not deviate from principles and practices of sound industrial banking and the Corporation's interests are not jeopardised, there should be no intervention from Parliament. Discretion is essential where cases of loan requests represent a range of diversity. Unless flexibility is maintained in management, the purpose of special government-sponsored credit institutions like the IFC cannot be advanced.

It is difficult to be dogmatic that this episode of intervention has not produced adverse repercussions on IFC's flexibility of approach in its dealings.

FACING THE FUTURE WITH OPTIMISM

The IFC had to call upon the Government to give subventions for payment of the entire guaranteed dividend of Rs. 11.25 lakhs in 1955-56 in spite of earning a net profit of Rs. 22.5 lakhs. This was because of appropriation of the total net profit to the reserve for bad and doubtful debts which is now built to an adequate size. Total subventions from the Government for this purpose have amounted to Rs. 53.45 lakhs. On the anticipation of reduction in the tax liability, consequent on the amount that will be allowed to be written off, it is believed that no subvention will be required in the current year.

The rate of interest charged at 6½ per cent per annum (minus rebate of ½ per cent when interest and instalments of principal are punctually paid) has been a handicap in expanding the base of operations. In view of the advisability of retaining the guarantee on dividend, there seems little room for lowering the rate. The real solution lies in making a vigorous drive for attracting a large number of loan applications by more business-like management. This is also the solution to the problem, which, according to the Chairman, has been raised by the appearance of the National Investment and Development Corporation as well as the Industrial Credit and Investment Corporation. Overlap of functions is unavoidable in a certain measure. But given a large volume of business, it should not prove a handicap. There are healthy indications that the IFC is undeterred by the prospect of competition and takes an optimistic view of the period lying immediatley ahead. Its Chairman has emphasized that the allocation of Rs. 15 crores to the IFC during the second Plan would prove inadequate and negotiations are in progress to obtain an increased amount. The procedure in investigating applications for loans is being rationalised mainly as regards legal scrutiny of title deeds and standardisation of conditions of mortgage bonds. This should go some way towards reducing vexatious delays. The Corporation is now getting tuned up to face the challenge of a phase of rapid expansion.

State Financial Corporations

THERE is a consensus of opinion that the State Financial Corporations in general have not rendered a good account of themselves in the brief period of their existence. This feeling was expressed freely during the debate in Parliament on the State Financial Corporations (Amendment) Bill, 1956. Criticism is directed against the shortcomings in the discharge of their obligations, the inadequate supply of credit for medium and small-scale industries and the rate of interest on loans. Before reorganisation of States there were 13 State Financial Corporations with paid-up resources of Rs. 11 crores and authorised capital of Rs. 25 crores. The post-reorganisation position is not relevant here as the accounts and operations relate to the prior situation. These Corporations are meant to cater to medium and small-scale industries, since the large-scale industries are provided for by the Industrial Finance Corporation, the National Industrial Development Corporation and the Industrial Credit and Investment Corporation. But it is a recurring complaint that some of the State Corporations are giving accommodation to comparatively large industrial concerns on a rather disproportionate scale, not fully consistent with their fundamental function. Cotton textile, engineering and electric supply industries in Bombay and tea and rubber plantations with factories in Travancore-Cochin are major recipients of loans. Specifically, the Corporations are presumed to allocate a substantial portion of their funds to satisfy the needs of smaller units which have difficulties in securing risk capital. The results of working during the last three years, however, do not justify the conclusion that the assistance which they have rendered is substantial.

Some extenuating circumstances may be found in the fact that the State Financial Corporations Act does not permit any accommodation unless it is sufficiently secured by pledge, mortgage, hypothecation or assignment of assets in the manner prescribed by regulations. As a purveyor of long term credit, the Corporations have to satisfy themselves that the proposal placed before them is sound, that it is backed by adequate and readily marketable security of tangible assets, that the management of the applicant industrial concern is efficient and prudent, that the profit earning capacity of the intending borrower is sufficient and that there are reasonable chances of the loan being repaid within the stipulated period. Often, considerable delay is experienced in getting applicants to deliver all the documents required to establish their title to the mortgaged property, to submit plans and estimates for the buildings put up or proposed to be put up and audited accounts for three years immediately preceding the date of application, income-tax assessment orders, etc. One of the peculiarities of the management of small industrial concerns, especially of the non-corporate type, is that they do not have their accounts audited by qualified accountants nor do they follow the accepted practices of accounting in industrial undertakings. In the absence of properly audited accounts it is difficult for lending institutions to assess the financial soundness of borrowing concerns or to calculate the net value of the assets offered in security. In fact, one of the purposes of the 1956 Amending Bill has been to reduce the rigours of the law so that loans can be given on slightly less onerous terms. Section 25 of the Act has been amended so that industrial concerns engaged in small-scale and cottage industries, not having sufficient tangible assets may avail themselves of financial accommodation from State Financial Corporations.

OPERATIONAL TRENDS

With the exception of Madhya Bharat, all the State Financial Corporations have shown profits for 1955-56 — even the Andhra Corporation which operated for only six months. Travancore-Cochin Corporation stands significantly above others in operational efficiency. Next come those of Bombay, Saurashtra and Punjab, which along with that of Travancore, had the advantage of an earlier start. Last year's trends indicate that the funds of the Corporations are being utilised on a much larger scale than before in advances of loans for capital investment, and with the exception of the Hyderabad Coroporation, they have achieved a fair record of progressive assistance to industry. The Hyderabad Corporation has explained the fall in the number of applications for loans last year by the fact that the Small-Scale Industries Board offers loans on more attractive terms. A similar difficulty is faced by the Andhra Corporation due to the recent liberalisaton of the terms of credit under the State Aid to Industries Act and the consequent expansion of activities of the State Industries Department for such assistance. The raising of the limit for advances under the State Aid to Industries Act from Rs. 20,000 to Rs. 1 lakh will doubtless curtail the field of activity of the Corporation. It is necessary to evolve a scheme of integrated credit so that the activities of the various credit agencies may be clearly demarcated and co-ordinated. The State Bank of India has recently evolved such a scheme as an experimental measure.

As yet, the Coroporations are not self-sufficient and they have to depend on government subventions to pay the guaranteed rate of dividend. Income-tax and Corporation tax, to which State Financial Corporations are subject, now absorb about 43 per cent of their income. The Central Government has rejected the demand for a tax holiday for five years. But it is apparent that even if the exemption were granted, subventions would be necessary for some years to come.

Self-sufficiency will be possible only as the scale of operations expands. There is scope for reducing the administrative expenses of almost all the Corporations. The percentage of administrative expenditure to gross profits is as high as 66.1 and 59.1 in the case of the Andhra and Bihar Financial Corporations respectively whereas it is the lowest in the case of the Travancore-Cochin Financial Corporation at 12.1 per cent. In the case of the Andhra and Bihar Corporations, however, a good part of the accounting period was taken up by the preliminary work of organisation and loan operations started rather late. But the administrative and establishment expenses of the Punjab and West Bengal Corporations can be reduced considerably.

ENABLING AMENDMENTS

The principal Act was passed in 1951. And the first of the Corporation was established in 1953. Recent amendments have enlarged the coverage of the industrial sector by the Corporations. In September 1955, the Industrial and State Financial Corporations (Amendment) Act was passed and this enactment empowers the Corporations to extend financial assistance to industries to be newly set up also. Again, the Amendment of 1956 provides for the widening of the definition of 'processing industries'. The grant of short-term loans for working capital is ordinarily within the province of the commercial banks, and the Corporations do not, as a rule, grant loans for working capital. Meanwhile, however, until loans for long-term capital investment get into full stride, the Corporations may fruitfully employ their idle funds in moderate advances for working capital also. Bombay did make a departure in this direction in 1954-55 in cases in which accommodation was not available from commercial banks.

The gap between the loan applied for and the amount granted will be narrowed, as the industrial concerns gain experience in the intricacies of mortgage banking. The applications rejected are either for grant of working capital, or from industrial concerns which do not come within the purview of the Corporations or are based on unsound schemes backed with insufficient security, insufficiency of earning capacity to repay the instalments of principal and interest, unfavourable credit reports, bad management, etc. It is necessary in this connection that regional advisory committees should be set up as suggested by the Sucheta Kripalani Committee report, although the recommendations related to the Industrial Finance Corporation. These committees will help the Corporations to have a fuller knowledge of the industries as well as acquaint the applicant concerns with all procedural details.

STAMP DUTY

The stamp duty on mortgages along with the application fee and other incidental expenses constitute a rather heavy burden on borrowers. The former Government of Saurashtra and the Punjab Government gave concessions in this regard, which are a welcome relief to the borrowers from the Corporations. These concessions will remove the borrowers' complaint regarding the somewhat heavy initial expenses entailed by a loanee. In the Statitsical Section of this Blue Supplement will be found a table giving an elaborate analysis of the important aspects of the capital structure and financial working of the Corporations.

National Industrial Development Corporation

THE significance of the National Industrial Development Corporation, which was established in October 1954 by the Government of India as a private limited company, lies in the fact that the emphasis in the purpose and working of the Corporation is to be on development functions and not in the first instance on provision of finance. This is a distinctive feature which marks it out from the other existing agencies for the supply of industrial finance. It was started with an authorised capital of Rs. 1 crore of which Rs. 10 lakhs have been issued and wholly subscribed by Government, and a sum of Rs. 55 crores has been allotted for the activities of the Corporation by the Planning Commission. Conceived mainly as an instrument of Government, its basic aim is to secure an integrated and balanced development of industries in the private as well as the public sector. It will thus concentrate in filling up gaps in the industrial structure and try to achieve better co-ordination of progress in different fields.

As the Corporation has been started to launch on industrial enterprises, which are vital to the needs of the economy, it will plan and formulate projects for setting up new industries or developing new lines of production. While implementing the projects, it will try to ensure that the maximum possible use is made of the industrial equipment, experience and skill available in the country. The finances of the Corporation are provided by the Government in the form of grants and loans and it will undertake financing only in so far as it is incidental to the development of an industry. Thus it will be a kind of a path-finder where private enterprise feels hesitant to step in. Incidentally the industries it develops in their turn may encourage the growth of ancillary industries which the private sector may be able to take up.

FUNDAMENTAL OBJECTIVE

Having in view its fundamental objective of vitalising the economy by the creation of healthy industrial enterprises, the Corporation will have some flexibility in the methods adopted for the execution of its projects. There is no need for entering into any controversy over the desirability or otherwise of private or State ownership of particular enterprises and although initially the capital may be wholly from Government sources, it need not necessarily be the case in all instances or for all times. The Corporation could itself execute a project or it may allow a project to be executed by a subsidiary company, all the shares of which would be owned by the Corporation. It may also execute a project with varying degrees of collaboration with private enterprise.

The Corporation has placed a part of its resources (tentatively placed at Rs. 20 to Rs. 25 crores) to be utilised for assisting the modernisation and rehabilitation of the cotton and jute textile industries, whose role in the country's economy and as earners of foreign exchange is considerable. It is obvious that it would be difficult to maintain expanding exporting markets for cotton and jute goods in the face of competition abroad unless an extensive programme of renovation is undertaken. For the grant of financial assistance to the jute and cotton textile industries, two committees, one in Calcutta for the jute industry, and the other in Bombay for the cotton textile industry have been set up for scrutinising applications for loans. So far as the jute industry is concerned, three loans of about Rs. 83 lakhs have already been approved by the Corporation to three units and loans for some others are under consideration. An export survey of the textile

industry is also now being made with a view to determining the quantum of loan for each unit.

PROJECT PLANNING

Since project planning is the most essential function of the Corporation, it has to enlist the services of experts at diverse levels. It is now processing projects for the establishment of steel foundries, forges and fabrication of steel structurals. The second Five-Year Plan provides for a heavy foundry and forge project for the manufacture of heavy castings of iron and steel as well as heavy forgings weighing up to 20 tons or more apiece which are now being imported. The NIDC has now proposed to take up this project. Competitive quotations together with detailed project reports are being awaited from three foreign firms and final decisions will be taken when these are received. It will also set up capacity for fabricating certain categories of structurals near the steel plants. To eliminate the dependence of the country's growing rayon industry on imported wood pulp, its basic raw material, as also to help the growth of the newsprint industry, the Corporation is investigating a project for the manufacture of wood pulp. A foreign technical team has completed its survey and made a preliminary report. The foreign firm, which has sent the team, is now conducting experiments on selected Indian raw materials which have been sent to them.

So far as the project for the production of synthetic rubber based on utilisation of alcohol is concerned, the report of the team of experts from four well-known American companies in this field is favourable and the scheme seems to be under further consideration. Apart from these, the manufacture of carbon black, sulphur from pyrites, printing machinery, air compressors and fractional horse power motors and refractories are also under detailed investigation. Besides, rolls and rolling mill equipment required in ferrous and non-ferrous industries and manufacture of heavy equipment for earth-moving, mining, etc., are also within its purview.

Recently, the Government have decided on two important projects to be undertaken by the Corporation. One is for the establishment of a newsprint factory at Shakarnagar near Hyderabad with a capacity of 30,000 tons per annum and the other for setting up an aluminium plant at Mettur in Madras State with a capacity of 10,000 tons per year. Government have also decided to set up central capacity for the manufacture of primary intermediates so essential in any development programme for the dyestuff industry. A decision regarding the exact scope of the NIDC project and the manner of its execution will be taken after the programme of the various firms already in the field is clearly known.

SHORTAGE OF RESOURCES

The NIDC has thus taken on itself a large volume of work and naturally the question of resources assumes great importance. With about Rs. 20-25 crores set apart for modernisation of the cotton and jute textile industries, a sum of about Rs. 30 to Rs. 35 crores will alone be available for pioneering new basic and heavy industries. It means that the Corporation has to draw up priorities in regard to projects for implementation that will meet the pressure on the limited funds available. The Planning Commission itself has conceded that the Corporation may need more resources than have been allotted to it and has stated that the extent of the gap between the resources actually required and the provision of funds now proposed will ultimately depend on the pattern of financing adopted and the size of the Government's holding in the overall investments in the various projects.

More than funds, perhaps the real difficulty may lie in the shortage of technical personnel. It is patent that the country does not have the requisite number of capable technicians who have to process the different ventures. In the investigations that are in progress, wherever necessary, assistance is taken therefore, of foreign firms and experts and it is obvious that greater efforts may be required to obtain the services of more and more foreign technical personnel if the Corporation is to produce any satisfactory results.

Another factor to be borne in mind is that the Corporation should enlist the co-operation of private business if its objective to fill the gaps in the industrial structure is to be fulfilled. Correspondingly it entails an obligation on the part of private entrepreneurs to state their case fully and allow the Corporation to go ahead wherever they feel they may be unwilling to take risks. Finally it must also be emphasised that since the NIDC will have its eye on the third Five-Year Plan in the process of investigation of schemes relating to the manufacture of heavy machinery or schemes directly related to it, it must realistically face its commitments and limit its area of operations so that it may remain within manageable proportions.

Industrial Credit and Investment Corporation

THE launching of the Industrial Credit and Investment Corporation as a privately-owned and privately-managed limited liability company in January 1955 may be deemed an experiment in international investment which was much needed in this country. Its major objective is to give assistance to industrial enterprises falling within the private sector of industry.

The distinctive feature of the Corporation lies in the mobilisation of international finance as can be seen from the following facts. Out of the subscribed capital of Rs. 5 crores (the authorised capital being Rs. 25 crores) Rs. 0.5 crore has been subscribed by American investors who include the Bank of America, Olin Matheison Chemical Corporation, the Westinghouse International Corporation and Rockefeller Brothers. The British share of the subscription of Rs. 1 crore has been provided by eight eastern exchange banks, 12 insurance companies, the Commonwealth Development Finance Company and two industrial companies having interests in India. The balance of Rs. 3.5 crores forms the Indian share of which Rs. 2 crores go to institutional investors and Rs. 1.5 crores for the public. In the capital of the Corporation, therefore, the U.K. takes 20 per cent of the total share and the U.S. 10 per cent, leaving to India the remaining 70 per cent.

WORLD BANK LOAN

More interesting is the fact that the International Bank for Reconstruction and Development has sanctioned a loan of $10 million (Rs. 4.72 crores) for the Corporation. In addition to this, the Government of India has given it an advance of Rs. 7.5 crores. It is to be free of interest and is repayable in 15 equal instalments beginning after the lapse of 15 years. The significance of the advance lies in the fact that this money has been found from counterpart funds derived from the proceeds of the sale of steel supplied by the Foreign Operations Administration of the U.S. under the Indo-American Technical Co-operation Agreement. It is certainly a step in the right direction that the counterpart funds should be utilised for nation-building activities. This fact has to be borne in mind because of criticism in the earlier stages in Parliament itself questioning the propriety of placing at the disposal of a private-owned corporation Government funds without any interest charge. The Finance Minister rightly defended that though the proceeds were applied to the finances of industrial enterprises which are privately-owned, they conformed to the pattern of approved development satisfying the required test at the licensing stage. What is more important, which has silenced the critics, is that the remission of interest which the Government has granted would enable the Corporation to advance loans at 1 per cent below the rate it would otherwise have been required to charge.

Another feature of the Corporation is that it has undertaken to ensure that no group of industrialists or companies will be allowed to capture a dominating part of its total shares and thus prevent its independent character. The management is in the hands of a Board of eleven Directors and of these, seven represent the Indian shareholders of the Corporation, two the British and one the American while the eleventh Director is nominated by the Government of India. The Government of India has retained its right to nominate one person so long as any part of the Government's loan remains unpaid. It also retains the right to apply for the liquidation of the Corporation if default is committed in payment of the loan instalments or if the Corporation's capital is impaired beyond tolerable limit considered reasonable in the course of business. These are not only adequate safeguards for prudential use of the interest-free loan, but, what is of greater significance, it means that Government will be in a position to exercise effective control over the activities of the Corporation whenever it feels that they do not subserve the objective for which the institution has been started.

OBJECTIVES AND ACTIVITIES

The purpose of the Corporation, as already mentioned, is to assist industrial enterprises within the private sector of industry. This it will do either through providing finance in the form of loan and equity participation or through sponsoring and under-writing new issues of shares. It will also help by furnishing managerial, technical and administrative advice and services to Indian industry. The functions of investment, lending or underwriting will be exercised within the framework of a dynamic policy depending on circumstances and the type of industry that requires such help. Ever since its inception, the Corporation has received a continous flow of enquiries covering a wide range of industrial activities and coming from all parts of India. The industries which the Corporation has agreed to assist so far include the manufacture of paper, electrical equipment, fuel injection equipment, chemicals and equipment for the textile industry, refining of sugar and metal ores and cotton spinning. Since the Corporation examines all aspects of a project for the establishment of a new industry or the modernisation or expansion of an existing one before it agrees to give assistance, there is inevitably a time-lag between the receipt of an application and the disbursement of funds.

It is necessary to mention here a recent development that has had its effect in the structure of the capital of the Corporation. As a result of nationalisation of insurance the Government now owns nearly 18 per cent of the Corporation's share capital, a figure that represents the value of the Corporation's share held by the issurance companies now taken over by the Government. Now, the Corporation is wholly a private-owned business and it was on that basis that the co-operation of the various parties in the U.K. and U.S. and the World Bank was extended to it. Consequent on the nationalisation of insurance, Government have become its largest single shareholder. However, Government have assured the Company that they have no intention of taking advantage of their 'adventitious position' in this regard to influence the day-to-day working of the Corporation. This assurance should go a long way in allaying any fears that the Board of Directors might have entertained with regard to the position of the Government vis-a-vis the Corporation. The Corporation has come into existence at a crucial stage in the economic development of the country. Its potentialities are undoubtedly great and likewise there are reasonable hopes that conditions for stability would be assured for its smooth functioning.

International Finance Corporation

THE formation of the International Finance Corporation in July 1956 marks an important development in post-war economic co-operation. The World Bank has been in operation for a decade and its valuable experiment has stimulated practical interest in international financial assistance. But the World Bank has its own limitations of functions, operating as it does at the Government level. The idea of an international finance institution functioning at the private level was mooted long since, but three years of discussion, suspense and hesitation had to pass before it could be endorsed and taken up for active formulation. There was hardly any divergence of view on the proposition that the flow of international capital for development must be secured primarily from private sources and an effective way to encourage it was to launch co-operative action. Since the United States is the biggest exporter of capital its attitude was bound to influence efforts to set up an international organisation. Happily, it gave a firm lead in this matter too which induced other countries to follow suit. India signed the Articles of Agreement of the Corporation in October 1955 and deposited the Instruments of Acceptance immediately thereafter.

CAPITAL STRUCTURE AND DICTINCTIVE CHARACTER

The Corporation's initial authorised capital of $100 million (Rs. 48 crores) has been divided into 100,000 shares of equal value. It was a condition precedent of its formation that a minimum of 30 countries must subscribe to an aggregate share capital of $75 million. The table at the end of this article sets out the membership and the share of each member in the capital as on August 10, 1956. In all 32 member-governments contributed to a total of $78.4 million until that day. Since then 15 more countries which have joined it have brought a further capital subscription of $11.6 million making a total of $90 million. The Corporation's Board of Directors has been vested with authority to invest the authorised capital up to an additional 10 per cent to accommodate new-comers as well as the growing volume of demand for investment. The original members enjoy priority right to subscribe to the increased capital in proportion to their share holdings.

The Corporation has a positive relation with the World Bank which, however, does not detract from its

individuality. Its membership is open only to member governments of the World Bank and the rate of subscription to the capital is based on the ratio of its subscription to the World Bank. Executive Directors of the World Bank representing a minimum of one government which is also a member of the Corporation are entitled to serve on the Corporation's Board of Directors. The World Bank's President will be the ex-officio Chairman of the Corporation's Board of Directors and will have the right to recommend the choice of the Corporation's President. To this extent the Corporation will be an affiliate of the World Bank, but no further.

The Corporation, however, possesses a distinctive personality. It is an independent legal entity and is entitled to function under the authority of its own charter. Affiliation with the World Bank has secured for it a solid base of activity, especially in the less developed countries, but it does not in any manner infringe on its independent status. Membership of governments has a restricted implication. In its operations at all levels it will function in the sphere of private enterprise. Undoubtedly, one of its characteristic factors will be that it will ask for no guarantee from any government for loans advanced to borrowing concerns within its national frontiers.

POLICY FOR ESSENTIAL CO-OPERATION

The basic objective of the Corporation is to promote economic development, active assistance and encouragement to productive private enterprises and the bias of its investment operations for a considerable time to come will be towards assistance to under-developed and backward member countries. Since productive investment is to be the hall-mark of its policy it will insist on satisfactory proof of the production potential of the enterprises asking for assistance. But apart from offering its own resources it will co-operate in widening the range of participation in the capital exporting as well as importing countries and strengthening the base of co-operation between domestic and foreign private capital. It will be no part of its policy or function to arrange for the supply of technical know-how.

Alongside its investment operations its major activity will be to serve as an agency in facilitating procurement of experienced management. The sponsors of the Corporation have a firm conviction that management is a fundamental factor for the success of any enterprise—a factor which is in fact much more important, and also more scarce, than capital. Due to historical traditions the management patterns in less developed countries had inevitably to adhere to the pattern of family proprietorship and management. Modern business and industrial enterprises with their complex character and the vital need to absorb technological improvements to maintain their dynamic nature must of necessity adopt up-to-date techniques in management. The Corporation believes that it should be of assistance in promoting professional management as an essential of private enterprise in the less developed countries. Management on modern business principles is bound to raise standards of business efficiency which in course of time cannot fail to produce a healthy effect on the attitudes of the public as well as the political leadership towards private enterprise.

The resources of the Corporation are meant to be used for the promotion of economic activity in developing countries. This purpose does not exclude under strict interpretation the possibility of assistance to private enterprise in relatively advanced countries. But the Corporation's policy in practice will be to confine its operations in the intervening period which is bound to be of a long duration, to the less developed member countries. Investment in industrial, agricultural, financial, commercial and other enterprises in allied spheres is perfectly within its jurisdiction. Nevertheless, in view of the crying need for industrial finance and the limited initial authorised capital of the Corporation of the order of Rs. 48 crores, its functions will be restricted predominantly to industrial enterprises. Basic public utilities, even though owned and managed by private enterprises, such as transport, electric power, reclamation, and so forth, will be kept out of the purview of its activities. This is because of the obvious fact that they are proper subjects of assistance from the World Bank and in reality several private enterprises of this description have actually received finance from the World Bank over the last ten years.

CRITERIA FOR ASSISTANCE

In judging the eligibility of an applicant enterprise the character of government's participation in ownership or management will be a primary test. Enterprises which are predominantly private-owned but in which the government has a dominating share in management will not be eligible for assistance. On the contrary, minor participation of the government in ownership will be no bar to the Corporation's help, provided the enterprise is essentially private in its ownership as well as management. The formal test of eligibility, however, will be that the enterprise asking for assistance should contribute on its own a majority share of the funds needed for fresh investment at least in excess of fifty per cent of the required amount and the balance should not be available from other sources on reasonable terms. The new investment must be of a minimum amount of US $500.000 (Rs. 24 lakhs) and the size of the assistance required must be $100,000 (Rs. 4.8 lakhs) in the minimum.

The sole restriction on the types of investment which the Corporation can undertake is that it will not directly invest in capital stock or shares. The normal form of its investment will be by way of loans, but distinguished from the conventional form of loans stipulating the entire return in terms of fixed interest. A substantial part of the investment will be in venture capital. Ordinarily investments will take the form of convertible debentures together with a positive form of interest which will confer on the Corporation a right to obtain capital stock or shares. The terms of the investment will provide for part of the return in the form of a share in profits in addition to interest. The specific terms of participation in profit will be governed by the merits of each case.

Since the Corporation is precluded by its charter from making direct investments in share capital, the rights which it will acquire to participation in capital stock or shares cannot be exercised on its own. But they will be sold to foreign or domestic investors. Profits earned on successful investments will be of value in building reserves and cancelling out possible losses. The right to obtain share capital and convertible debentures is the key to the Corporation's investment policy. It is a basic objective of the Corporation to promote co-operation between foreign and domestic private investors. To this end the Corporation's investments will be placed on a revolving basis which implies that as soon as an enterprise is put on a sound operating basis the Corporation's interest will be transferred to investors and funds will be released for help to other enterprises. The Corporation's participation and the technique of revolving investment are expected to enlarge the area of international collaboration.

The funds which the Corporation will be prepared to invest will be available for use freely by the borrowing enterprise and will not be restricted to the requirements of the enterprise in terms of foreign exchange. In view of the top importance which this Corporation attaches to management, rigorous tests will be applied in judging this aspect of the applicant's enterprise. Their management must be of acceptable standards of competence and experience. In addition, proof ought to be forthcoming of their stake in the enterprise in the form of risking their own capital and their business reputation. The Corporation will not accept direct responsibility for the management although its consultation will be essential for any changes in the management of the beneficiary enterprise. It will, however, undertake to find managerial personnel in appropriate cases. It may seek safeguards for its investment in the form of representation of its interests on the Board of Directors. The Corporation will not ask for government approval of its projects of investment except in so far as the national law requires it. But when a government objects to any investment, it will refrain from it.

CLIMATE FOR INVESTMENT

In view of India's interest in inviting foreign private capital for industrial development, she would welcome expansion of the activities of the Corporation. Positive clarification of the approach with which it would treat requests for assistance is now available from public addresses of its President, Mr. Robert Garner, as also from the literature it has released for information. Since the Corporation would desist from leaning on the backing or guarantees of the governments of the participating countries in its operations it lays itself bare to normal business risks. Its approach to proposals for co-operation cannot but be governed by strict business principles and practices. The basic requirement which countries seeking its help have to satisfy is the creation of a climate suitable for the flow of foreign capital. Business leadership can undoubtedly contribute to the creation of such a climate by maintaining and raising standards of performance. But investor's confidence is a psychological factor which is susceptible to varied influences in other spheres. It is in these spheres that a climate of confidence must be sustained and improved.

Economic and political stability is its absolute precondition. But political attitudes and government policies towards private enterprise are of much greater significance. Clamping of too many regulations and legal restrictions on the freedom of private enterprise, inconsistent with the risks and responsibilities it consciously bears, may operate as a disincentive to the private investor who is entitled to his own reasonable expectations of freedom of operation and has also a choice of different countries for export of capital. The Corporation is now engaged in preliminary negotiations for projects of co-operation and it is gratifying that India ranks among the countries whose proposals have been placed before it. The gap in India's foreign exchange requirements in the very first year of the second Plan has impressed upon her policy-makers the importance of foreign investment. The latest directives on imports on private account have underlined the significance of this assistance. It is a logical obligation which rests on the country, but more so on the Government, to adopt policies conducive to the flow of capital from abroad.

INTERNATIONAL FINANCE CORPORATION

Subscription to capital stock

Country	In US $ '000	In Rs. '000	Percentage of the auth. Capital of $100 million
Australia ..	2,215	10,546	2.22
Bolivia ..	78	371	0.08
Canada ..	3,600	17,140	3.60
Ceylon ..	166	790	0.17
Colombia ..	388	1,847	0.39
Costa Rica ..	22	105	0.02
Denmark ..	753	3,585	0.75
Dominican Republic	22	105	0.02
Ecuador ..	35	167	0.04
Egypt ..	590	2,809	0.59
El Salvador ..	11	52	0.01
Ethiopia ..	33	157	0.03
Finland ..	421	2,004	0.42
France ..	5,815	27,685	5.82
Germany ..	3,655	17,401	3.66
Guatamala ..	22	105	0.02
Haiti ..	22	105	0.02
Honduras ..	11	52	0.01
Iceland ..	11	52	0.01
India ..	4,431	21,096	4.43
Japan ..	2,769	13,183	2.77
Jordan ..	33	157	0.03
Mexico ..	720	3,428	0.72
Nicaragua ..	9	43	0.01
Norway ..	554	2,638	0.55
Pakistan ..	1,108	5,275	1.11
Panama ..	2	10	0.00
Paraguay ..	16	76	0.02
Peru ..	194	924	0.19
Sweden ..	1,108	5,275	1.11
United Kingdom	14,400	68,558	14.40
United States ..	35,268	167,911	35.27
TOTAL ..	78,382	373,176	78.38

STATEMENT SHOWING INDUSTRYWISE DISTRIBUTION OF LOANS SANCTIONED BY THE INUDSTRIAL FINANCE CORPORATION OF INDIA UP TO 30TH JUNE, 1956 IN EACH STATE

(000's Omitted)

Type of Industry	Assam	Bombay	Bihar	Madhya Pradesh	Punjab	Madras	Andhra	Orissa	Uttar Pradesh	West Bengal	Rajas-than	Sau-rashtra	Madhya Bharat	Travan-core-Cochin	Mysore	Hydera-bad	Delhi & other Part C States	Total	No. of Units
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Food manufacturing Industries, except beverage industries	45,00,	6,23,00,	17,50,	..	1,10,00,	1,28,00,	..	..	..	..	..	..	..	..	40,00,	40,00,	..	11,68,50,	32
Manufacture of Textiles, Spinning, Weaving & Finishing of textiles	..	46,50,	..	33,75,	68,00,	1,26,00,	1,05,00,	..	60,00,	..	..	..	..	7,00,	30,00,	20,00,	20,00,	6,59,75,	35
Manufacture of Artificial fibres	..	1,10,00,	..	..	..	..	24,00,	73,00,	1,05,50,	51,00,	30,00,	25,00,	..	..	..	..	..	1,10,00,	1**
Manufacture of Paper & paper products	..	1,24,00,	1,00,00,	..	..	..	..	..	..	..	..	..	..	25,00,	57,50,	..	..	4,21,50,	8
Manufacture of Rubber Products	..	15,50,	..	..	..	..	..	..	1,15,00,	..	..	..	..	..	..	..	..	15,50,	2
Manufacture of basic industrial chemicals including fertilizers	..	35,00,	..	..	..	1,35,00,	..	..	..	..	..	..	..	..	..	..	..	5,36,00,	6
Manufacture of Vegetable and Animal Oil and Fats	..	4,00,	..	..	..	..	..	..	..	45,00,	..	65,00,	..	2,56,00,	..	..	..	6,50,	2
Manufacture of Miscellaneous Chemical Products	..	5,00,	..	..	..	..	..	..	2,50,	..	..	..	..	..	..	..	..	41,25,	6
Manufacture of Glass & Glass Products	..	20,00,	63,00,	..	..	..	..	..	4,50,	16,75,	..	..	..	15,00,	..	..	..	1,10,00,	5
Manufacture of Pottery, China and Earthern-ware	..	3,00,	10,50,	6,00,	..	..	..	..	..	18,00,	..	..	..	5,00,	4,00,	..	..	39,50,	4
Manufacture of Cement	..	..	95,00,	..	..	70,00,	..	..	..	20,00,	..	..	..	..	..	..	..	3,40,00,	5
Non-ferrous metals industry	..	30,00,	..	..	..	..	..	1,25,00,	..	..	..	50,00,	..	..	..	..	..	1,17,00,	3
Manufacture of metal products except machinery and transport equipment	..	41,00,	12,50,	..	..	10,00,	..	..	..	50,00,	37,00,	..	..	..	..	..	..	1,68,00,	11
Manufacture of machinery except electrical machinery	..	55,50,	..	..	..	..	..	..	..	1,04,50,	..	..	..	..	3,00,	..	..	1,08,50,	5
Manufacture of electrical machinery, apparatus, appliances & supplies	..	77,70,	12,00,	..	..	..	..	..	..	50,00,	..	..	..	..	..	..	..	1,55,70,	12
Manufacture of rail-road equipment	..	..	..	..	..	..	..	..	..	32,00,	7,50,	..	..	10,50,	16,00,	..	..	50,00,	1
Manufacture of motor vehicles and ancilliaries	..	1,33,50,	..	..	..	3,50,	..	..	..	50,00,	..	..	..	..	..	..	..	1,37,00,	3
Manufacture of Bicycles	..	..	..	..	12,50,	..	..	..	..	..	..	..	..	..	..	..	..	50,50,	2
Miscellaneous manufacturing Industries	..	6,20,	..	..	10,00,	5,00,	..	..	..	38,00,	..	..	..	..	..	..	..	42,80,	7
Electric light and power	..	..	8,50,	..	..	..	..	9,00,	..	25,25,	..	..	3,50,	..	10,00	..	..	42,75,	4
TOTAL	45,00,	13,29,90,	3,19,00,	39,75,	2,00,50,	4,77,50,	1,29,00,	2,07,00,	2,95,60,	5,00,50,	74,50,	1,40,00,	3,50,	3,18,50,	1,60,50,	60,00,	20,00,	43,20,75,	154
No. of Units Statewise	1	47	11	3	10	15	5	4	11	22	3	3	1	6	9	2	1		154

STATE FINANCIAL CORPORATIONS

Comparative statement showing the results of the working of the State Financial Corporations in India of the year ended 31st March 1956.

(In lakhs of Rs.)

Sl. No.	Name of the Corporation	Paid up Capital	Date of establishment	Loans, advances and Debentures outstanding	Gross Profit earned	Administractive expenditure including preliminary expenses written off	Percentage of administrative expenditure to Gross Profit %	Net Profit (Subject to provision for taxation)	Percentage of Net Profit to Gross Profit %
1	West Bengal Financial Corporation	100	1-3-1954	23.0	3.45	1.00	28.9	2.45	71.1
2	Punjab Financial Corporation	100	1-2-1953	39.50	4.48	1.41	31.5	3.07	68.5
3	Saurashtra Financial Corporation	100	29-9-1953	27.98	3.86	0.63	16.2	3.23	83.8
4	Bombay State Financial Corporation	100	1-12-1953	60.48	4.64	1.09	23.5	3.55	76.5
5	Hyderabad State Finanicial Corporation ..	100	13-2-1954	33.36	8.67	0.81	22.0	2.86	78.0
6	Assam Financial Corporation ..	100	19-4-1954	26.42	3.60	0.87	24.2	2.73	75.8
7	Travancore-Cochin Financial Corporation ..	100	1-12-1953	61.88	4.94	0.60	12.1	4.34	87.9
8	Rajasthan Finanicial Corporation	100	17-1-55@	1.85	2.78	0.67	24.2	2 11	75.8
9	Bihar Financial Corporation ..	50	30-10-54**	3.85	1.53	0.90	59.1	0.63	40.9
10	Andhra Financial Corporation ..	50	3-11-55†	@@8.02	0.38	0.26	68.1	0.12	31.9

(In lakhs of Rs.)

Sl. No.	Name of the Corporation	Establishment charges	Percentage of Establishment charges to Gross Profit %	Provision for Reserves	Provision for Income-tax	Balance available for dividend	Amount of subvention required to pay up the guaranteed dividend	Guaranteed dividend %
1								
2	West Bengal Financial Corporation	0.70	20.2	0.49	1.08	0.94*	2.54	3½
3	Punjab Financial Corporation ..	1.09	24.4	0.20	1.30	1.57	1.43	3
4	Saurashtra Financial Corporation	0.34	8.9	0.17	1.50	1.56	1.94	3½
5	Bombay State Financial Corporation	0.76	16.5	0.45	1.50	1.61	1.89	3½
6	Hyderabad State Financial Corporation ..	0.62	16.8	0.30	0.78	1.78	1.72	3½
7	Assam Financial Corporation	0.61	16.8	0.15	1.08	1.51	1.99	3½
8	Travancore-Cochin Financial Corporation	0.37	7.5	0.22	1.90	2.22	1.27	3½
9	Rajasthan Financial Corporation	0.41	14.7	0.05	0.97	1.09	1.80	3½
10	Bihar Financial Corporation ..	0.49	31.8	0.05	0.33	2.25	1.64	3½
	Andhra Financial Corporation ..	0.14	35.6	0.01	0.04	0.07	0.36	3½

* Includes Rs. 6,251 available from last years' Income-tax excess provision.
@ The figures are for a period of 1 year and 2½ months' working.
** The figures are for a period of 1 year and 5 months' working.
† The figures are for a period of 5 months' working.
@@ The amount of loan advanced by Madras Invest ment Corporation and transferred to Andhra Financial Corporation on bifurcation.

(In lakhs of Rs.)

Sl. No.	Name of the Corporation	Loans sanctioned during		Loans disbursed during		Loans outstanding at the end of March		Assets at the end of March, 1956	
		1954–55	1955–56	1954–55	1955–56	1955	1956	Other than loans	Total
1	Punjab ..	20.77	39.57	15.20	19.33	22.11	39.15	68.13	1,07.28
2	Bombay ..	68.37	79.86	30.17	32.54	30.17	60.46	43.71	1,04.17
3	Saurashtra@ ..	15.40	28.05	6.10	17.55	6.17	24.23	82.66	1,06.89
4	Travancore-Cochin ..	37.16	43.25	33.91	28.39	33.91	61.88	43.34	1,05.22
5	West Bengal ..	14.50	28.78	9.50	14.00	9.52	23.00	82.01	1,05.01
6	Hyderabad* ..	38.56	4.58	19.54*	6.50	19.64	23.36	82.41	1,05.77
7	Assam ..	3.15	34.25	—	26.42	—	26.42	77.75	1,04.17
8	Rajasthan ..	—	7.28	—	1.85	—	1.85	1,00.29	1,02.14
9	Madhya Bharat ..	—	5.50	—	—	—	—	77.68	77.68
10	Andhra ..	—	—	—	—	—	—	77.68	50.14
11	Uttar Pradesh ..	—	21.12	—	3.59*	—	8,02†	42.12	69.25
12	Bihar ..	—	10.55	—	3.85	—	3.60	65.65	50.52
	Total ..	197.91	3,02.79	1,14.52	1,54.02	1,21.52	2,75.82	8,12.42	10,88.24

@ The Corporation also subscribed for debentures to the extent of Rs. 3.75 lakhs during 1955-56.
* The Corporation also subscribed to the 7 per cent First Mortgage Debentures of a cotton mill for Rs. 10 lakhs, out of which debentures to the extent of Rs. 7 lakhs were subscribed to during 1954-55 and the balance of Rs. 3 lakhs during 1955-56. † Loans transferred from the Madras Investment Corporation.

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Public Opinion Research

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Scope of Research

THE social researcher's laboratory is not so easily and neatly cut out as that of a chemist or physicist. Still, public opinion research with its special sampling techniques has advanced a great deal in the realm of social sciences in the West. These sampling techniques have found wide applications in many fields of opinion and attitude research: pre-election polls; gauging public opinion on political, social and economic issues; collecting useful social facts and critical data about men and things for administrative purposes; marketing, advertising and related research; audience research; social anthropology or sociological knowledge in the field of culture traits, etc. The scope of research is thus almost limitless, and it is an encouraging sign that this useful instrument in the methodology of the social sciences is being put to an increasing variety of uses in India too.

This Blue Supplement is only a modest contribution to a non-technical understanding of public opinion research. Even here only a small part of the ground is covered. The object is to focus attention on the public opinion poll as a device for predicting the behaviour of human beings as political beings and as consumers, for it has been scientifically established by now that human behaviour is predictable with a reasonable degree of accuracy. While consumer or market research is an eminently useful tool for industry and trade, political polls are an effective device of direct democracy inasmuch as they give importance to the individual citizen. The Blue Supplement is largely devoted to the latter branch of public opinion research.

Public opinion polling is as timely as it is relevant in view of some undemocratic trends in our infant democracy. The Union and State Governments in India are hardly in a position to know whether their actions are meeting with public approval and thus to bridge, as far as possible, what the citizen at any given moment thinks and what his government does. It is rightly said that "the essence of democracy lies in popular participation in policy-making." But a nation-wide referendum on every issue of policy and legislation is a physical impossibility; it is a costly and dilatory affair. In the words of that great constitutional authority, Lord Bryce, "the action of opinion is continuous, that of voting occasional, and in the intervals between the elections of legislative bodies, changes may take place materially affecting the views of voters." If the method of referendum cannot be called into play to record such shifts in public opinion and to make the will of the majority of citizens ascertainable at all times, the only other feasible alternative is to carry out from time to time surveys of a random sample, or what is called a representative cross-section of the population, in respect of important issues of the day. This is the supreme justification for political polls such as the ones that have just been initiated in this country.

Designing the Sample

PERHAPS the most technical part of public opinion research is designing the sample. Sampling technique has, during the last 25 years, developed so fast that it is possible now to predict election results with precision. Also it is now possible to plan in advance to control "sampling error" within required limits. The following table sets out the Gallup Poll forecast of the recent elections in Australia, England, United States and Canada.

AUSTRIA—DECEMBER 1955

	Gallup	Election
Liberal Country Party	50%	47.6%
Labour	45%	45.8%
Anti-Communist Labour ..	4%	5.2%
Independents	1%	1.4%

ENGLAND—MAY 1955

Conservative	50.0%	49.8%
Labour	48.0%	46.4%
Liberal	1.5%	2.7%
Others	.5%	1.1%

UNITED STATES—NOVEMBER, 1954

Nationwide:		
Democrats	51.5%	52.7%
Republicans	48.5%	47.3%
Outside South*:		
Democrats	48.5%	49.5%
Republicans	51.5%	50.5%

CANADA—AUGUST 1953

Liberal	50%	50%
Prog. Conservative	31%	31%
Co-operative Commonwealth Federation	11%	11%
Others	8%	8%

*35 States in North.

The two fundamental considerations which have to be borne in mind while drawing out the sample are: First, the size, that is, the number of interviews, and second, the manner of distribution of the sample. It is known that the size of the sample has to be moderately large. The statisticians have prepared tables based on the theory of probability, which show the number of interviews to be taken in order to arrive at results with known margins of error and confidence limits. The table alongside shows the sample size to ensure, with 90 per cent certainty, that the poll results are within a given number of percentage points of the true value.

The debate during the last two decades regarding the size of the sample has helped thinking on the right lines. At one time it was the opinion of some public opinion researchers that a bigger sample yielded better results. This myth has been exploded more than once. The classic case of The Literary Digest in the United States where no less than 2,500,000 people were interviewed and the results were quite wide of the mark, proved that the size is not the only consideration in planning the sample. The manner of distribution of the sample is of equal importance.

THE SAMPLE SIZE

Maximum percentage error	Frequency with which phenomenon occurs					
Either way	5 or 95%	10 or 90%	20 or 80%	30 or 70%	40 or 60%	50%
0.5%	5,141	9,742	17,319	22,731	25,978	27,060
1.0%	1,285	2,435	4,330	5,683	6,494	6,765
2.0%	322	609	1,082	1,421	1,624	1,691
3.0%	143	271	481	631	722	752
4.0%	80	152	271	355	406	423
5.0%	51	97	173	227	260	271
10.0%	—	—	—	57	65	68

Broadly, there are four methods of sampling which are commonly employed. These are, opportunist sampling, random sampling, area sampling and quota sampling. Opportunist sampling or accident sampling was in vogue when the sampling technique was in its infancy. This method of sampling involved a lot of bias and is no longer in use, as more valid methods are available.

The fundamental principle of pure random sampling is that every member of the 'universe' has an equal chance of being selected. Pure random sampling is rarely used where the 'universe' is infinitely large and not enumerated. Wherever it is possible to identify and number the individual units of a 'universe', the technique usually employed is to arrange the units in a sequence and take out a sample with the help of random numbers. Random numbers which have been tested for bias have been published by Tippet, Yates and a number of other statisticians and are available to all researchers. These genuinely randomised tables are used by all public opinion research organisations in the world. The all-India political pre-election poll of the Indian Institute of Public Opinion was also taken with the help of random numbers though randomisation was multi-stage.

In the case of area sampling, it is the house blocks which are numbered i.e., block enumeration is the first step. Afterwards, random numbers are employed to pick up the blocks and a sample could be drawn out of the families in the block. There are obvious advantages in area sampling as it conforms to the principles of randomness and has high statistical validity. Also, it is possible to calculate the sampling errors of the findings.

Quota sampling, often called proportional sampling, is used more by Marketing Research Organisations than by Public Opinion Institutes. Here, an attempt is made to stratify the population into groups according to selected controls such as age, sex, class, religion, etc. The total number of cases in the sample is then spread to the various divisions in its design in the same proportion as in the total. The principle of proportionality requires that each class in the 'universe' must have the same importance in the sample as it has in the 'universe'. The chief merit of quota sampling lies in its practicability and lower cost.

Technique of Gallup Polls

POLITICAL polls forecasting election results have come to be known as Gallup Polls after the name of the Director of the American Institute of Public Opinion, Dr. George H. Gallup, who pioneered "in this tumultuos realm of predicting political behaviour". The first Gallup Poll (1936) predicted that Franklin Delano Roosevelt would win in the race for US Presidency and that his Democratic Party would poll more votes than the Republicans. The forecast came true, but there was an error of 6.8 per cent in it as compared to the actual election results. In subsequent polls the margin of error has been less than 5 per cent. This may be known from the following Gallup Poll accuracy record:

GALLUP POLL ACCURACY RECORD

1936 RIGHT	error of 6.8 per cent
1938 RIGHT	„ „ 2.7 per cent
1940 RIGHT	„ „ 3.0 per cent
1942 RIGHT	„ „ 4.4 per cent
1944 RIGHT	„ „ 1.5 per cent
1946 RIGHT	„ „ 3.7 per cent
1948 WRONG	„ „ 4.8 per cent
1950 RIGHT	„ „ 0.7 per cent
1952 RIGHT	„ „ 4.4 per cent
1954 RIGHT	„ „ 1.2 per cent
1956 RIGHT	(Margin of error not exactly known but very small). Average error 3.3 per cent.

It is noteworthy that the forecasts of ten out of the eleven political polls conducted by the Gallup Institute had come true. The only time the Institute was wrong was in 1948 when President Truman's re-election falsified the forecast. This was something exceptional, for the 1948 Presidential contest was a neck-to-neck race and the Gallup Poll could not correctly spot the winner in such a circumstance though the margin of error was less than in the case of the 1936 poll. The exception was, however, a blessing in disguise for it underlined the need for perfecting further the technique of public opinion polls. This further perfection has since been achieved, and the political polls have now reached a highly scientific position where the best stratified sampling is proved to be normally accurate to within 1 or 2 per cent.

One may wonder if there is not something mysterious about a technique which makes political predictions possible with such a high degree of scientific precision. This is, of course, no mystery to the statistician or the social scientist, but the man-in-the-street will continue to wonder how the political behaviour of 50 or 100 million people could be deduced from the replies of just 2,000 or 3,000 persons among them. A non-technical description of the polling technique is, therefore, called for.

This description is best given in the words of Dr. Gallup himself who has answered a series of questions in his book: "A Guide to Public Opinion Polls". 'The story behind the Gallup Poll' is summarised as under:

There is nothing magical about sampling. Almost everyone uses sampling in the common-sense 'figuring out' of things in everyday life. An example of the sampling principle is the housewife who, in testing a few boiled grains from a pot of rice on the oven to know if they are well cooked, 'samples' the rice. (Example ours—Ed.). In short, a 'part' is selected from the 'whole' and subjected to analysis or measurement of one kind or another. It would be, in fact, foolish to sample more than a small portion.

The basic principle of public opinion sampling is the known scientific fact that, by sounding the opinions of a relatively small number of persons, 'proportionate to each population group and in every section of the country', the opinions of the 'whole' population can be determined. The most important requirement of any sample is that it be as 'representative' as possible of the entire area or group, or, as the statisticans say, the 'universe' from which the sample is to be selected. The universe normally sampled by the Gallup Poll is the adult civilian population of the United States living in private households.

A truly representative sample of this universe must be compounded of the same elements as are present in the whole. Among the most important elements are sex, age, occupation groups, education, economic status, racial, and religious groups. These major segments of the adult population must be represented correctly in each geographical region of the country, by cities and towns of various sizes, and by rural areas. For example, if 12 per cent of the adult civilian population lives on farms, then it is obvious that an accurate sample of the adult population will have 12 per cent of the total number of interviews with farm residents.

The secret of public opinion sampling is not numbers. Statisticians have repeatedly demonstrated that a few thousand voters correctly selected will reflect faithfully the views of an electorate of millions of voters. When the sampling process is executed with statistical skill, the voters in the miniature electorate will divide into opinion blocs in virtually the same way as all the voters would divide if their views were canvassed in a complete census. The belief that the accuracy of the poll results must increase in proportion to the size of the sample of voters is not borne out in practice.

A survey which predicts an election within 5 per cent is generally regarded as "amazingly accurate". Yet sampling experts are agreed that this degree of accuracy can be obtained with a sample of 1,000 persons properly selected. In its normal sampling operation, the Gallup Poll currently uses from 2,000 to 4,000 interviews. In election surveys upwards of 10,000 interviews are used.

How does the Gallup Poll work? Questions are put to selected men and women by trained interviewers, the answers are counted, turned into percentages and published in leading daily newspapers.

Interviewers call on people in their homes. Every interviewer carries a set of printed question forms. Each question is so framed as to avoid any likelihood that it will "suggest' an answer. The wording must be simple and the questions short. The 'tone' must be kept as neutral as possible. Words which have a high emotional content are avoided. Alternatives are given wherever possible: "Do you think you will 'or will not' ?" rather than simply "Do you think you will....?" Each set of questions is given a trial run by pre-test interviews to discover whether each question does in fact elicit the information it is designed to produce and to make sure that it is comprehensible.

In a typical Gallup Poll the interviewing covers the nation, with approximately 240 sampling areas — in big cities, small towns and rural areas — included. Different people are selected from survey to survey as interviewers are assigned to different block areas or township segments.

Toward the close of each interview the interviewer obtains and records many facts about the person being questioned — his occupation, his age, educational attainment, how he voted in the last election, etc. This is to make sure that the persons selected meet all the requirements of the cross-section. Of course, in no case

are the names of the people interviewed divulged. When the completed interviews have been returned to the Institute, they are coded and tabulated. Analyses of the results or breakdowns according to sex, age, occupation, political affiliation or geographic areas, and dozens of other variables are then compiled. The final results and percentages form part of three regular releases each week for subscribing newspapers. A nationwide Gallup Poll is normally completed in a period of about ten days. However, it is possible to complete a nationwide poll in a matter of hours through the use of the telegraph.

Opinion Research Units Abroad

PUBLIC opinion research has reached an advanced stage only in the West. Even among the countries of the West it is only the United States that has a large number of opinion research institutes and centres. A list of such institutes in the United States and in other countries is given in Vol. V. No. 3 of the 'International Social Science Bulletin' published by the UNESCO. The list, however, is not claimed to be exhaustive, but the following table is based on it all the same:

Country	Number of Institutes or Centres
United States	17
United Kingdom	4
Germany	4
France	3
Belgium	3
Netherlands	3
Norway	2
Sweden	2
Italy	2
Switzerland	2
Finland	1
Austria	1
Denmark	1
Argentina	1
Brazil	1
Canada	1
Columbia	1
Cuba	1
Mexico	1
Panama	1
Israel	1
Australia	1
Japan	1
India	1

The more notable among the 17 institutes functioning in the United States are the American Institute of Public Opinion with George H. Gallup as its Director; the National Opinion Research Centre, University of Chicago; and the Survey Research Centre, University of Michigan. In the United Kingdom the British Institute of Public Opinion has a long record of research. The Institute Fur Sozialforschung in West Germany, the Service de Sondages et Statistiques in France, the Italian Institute for Statistical Research and Public Opinion Analysis in Italy, the International Institute of Public Opinion and the Netherlands Institute of Public Opinion in the Netherlands, the Swedish Institute of Public Opinion Research in Sweden, the Instituto Brasileiro de Opiniao Publica e Estatistica in Brazil and the National Public Opinion Research Institute in Japan are among the other notable research units functioning in countries other than the United States and the United Kingdom. The character of these research units and the work done by them should be of interest to readers and researches alike in India. A brief description of some of these institutes is, therefore, given in the following paragraphs.

The American Institute of Public Opinion, Princeton, New Jersey, was founded in 1935 by Dr. George H. Gallup, the inventor of what has come to be known as the 'Gallup Poll'. It is the most well-known and influential public opinion polling organisation in the United States. And it is also the largest of its kind with its field corps of about 1,000 interviewers in the States alone.

The Institute's sole function is to measure public opinion on political, social and economic issues of the day and to report the facts for the benefit of all. The results of its surveys appear regularly in 120 leading U.S. daily newspapers with a combined circulation of about 21 million. The Institute's role as an organisation is one of strict impartiality, and it takes no sides on national issues.

The Institute has carried out, since its inception, 11 pre-election polls and about 300 surveys on political issues alone involving 60,000 questions. Surveys of public opinion have been taken on virtually all the major legislative issues of the New Deal subsequent to 1935, including social security, agricultural policy, wage-hour act, taxation, labour, as well as many social issues. In the period before Pearl Harbour, surveys covered the great national debate over isolationism vs. interventionism and the many aspects of rearmament, aid to Britain etc. In the war period surveys covered the many aspects of civilian morale, rationing, the food problems, etc. In the post-war period public opinion has been measured on hundreds of issues including the Taft-Hartley Act, Federal aid to education, segregation and civil rights, the fear of war, defence spending, foreign policy, the United Nations, Korea, etc.

The Gallup Poll is not exclusively confined to the United States. An affiliated Gallup Poll has been operating in Great Britain since 1937. Today there are Gallup Poll affiliates in 12 countries besides the United States. They are: British Institute of Public Opinion (Great Britain); Canadian Institute of Public Opinion (Canada); Institut Francais d'Opinion Publique (France); Dansk Gallup Institut (Denmark); Swenska Gallup Institutet (Sweden); Norsk Gallup Institutt (Norway); DOXA (Italy); Netherlandsch Instituut Voor de Publicke Opinie (Holland); Emmid, Institut fur Markt-Und Meinungsforschung (West Germany); Das Oesterreichische Gallup Institut (Austria); Suomen Gallup OY (Finland); Australian Public Opinion Polls (Australia).

The National Opinion Research Centre, University of Chicago, undertakes research on any basic problem in the social research field. The programme of basic research in recent years has covered such studies as: conflicts of values and conscience and how these are resolved in contemporary economic life; the process of decision-making in economic life; collective behaviour under emergency conditions; motives underlying philanthropic giving; the effect of widespread unemployment on a community's economy; the nature of opinion leadership; the measurement of interracial tensions; how panic can be controlled and morale maintained or reinstituted in times of community crisis, etc.

The Centre's programme of administrative research has covered: the reasons why medical personnel are unwilling to enter military service; the effectiveness of international programmes in increasing interest in and support for the United Nations, etc.

Since its inception, the Center has maintained a University affiliation in order to contribute to the education and research training of future social scientists. It derives its income solely from foundation grants for specific research projects and from research contracts with clients desiring administrative or basic research. As a basic social research organisation, the Center does not, as a general rule, undertake any research where the results must be kept secret. The sole exception to this rule is made in the case of Government research contracts where, for security reasons, certain types of data must be kept confidential.

The Survey Research Centre of the Institute for Social Research, University of Michigan, has been concerned with the application of sample survey methods to a variety of psychological, sociological, economic and political problems. It has conducted, since its inception in 1946 and till 1953, over 50 surveys, some of national scope and others restricted to special groups within the population.

The work of the Centre consists of continuing programmes of research in the following fields: psychological and social factors in economic behaviour; human relations in large organisations; attitudes and behaviour in public affairs; attitudes and behaviour in public health. Although some research projects in these fields provide information of importance to immediate problems of administration or public policy, they are not undertaken primarily for this purpose. The Centre's objective is to work toward a greater understanding of social factors influencing human behaviour and to contribute to basic concepts and theory.

The research programme in the field of economic behaviour is concerned with the dynamics of major economic decisions made by consumers and businessmen. How motives, level of information, attitudes and expectations influence their economic behaviour, is covered by the research projects. The theory of psychological economics based on the Centre's work has been presented in a book. The human relations research programme has the general objective of discovering the underlying principles applicable to the problems of organising and managing human activity. A series of studies have been carried out within functioning organisations in industry and government. Another important activity of the centre is the systematic study of the perceptions, values and behaviour of the American people in their role as citizens. These studies have been concerned with such topics as America's foreign policy, factors influencing voting in national elections, the influence of media for mass communication and the factors determining public participation in Governmental programmes.

The British Institute of Public Opinion, founded in 1937, is a Gallup affiliate. The Institute did some noteworthy work in the war period. It carried out daily interviews which formed the basis for the British Broadcasting Corporation's listening figures and by the time the Corporation took over the fieldwork, well over one million interviews had been made. Secondly, on behalf of the Ministry of Food, the Institute started in 1943 to weigh, at quarterly intervals, a sample of housewives and of persons working in factories without canteens. This work continued for four years, and the findings suggested that when adults' diet came down to the generally accepted minimum, 2,800 calories per day, they began to get lighter.

The Institute had conducted (up to 1953) election polls on 20 occasions. Although the Institute's forecast in 1939 was fairly badly wrong with an error of 6 per cent, the average error of 1 per cent over the whole series has confirmed the belief that it is possible to forecast human behaviour in certain fields.

This belief is being put to a practical use by forecasting the trend and extent of consumers' demand. In this field the British Institute has been working closely with the Netherlands Institute of Public Opinion. It is now considered possible to indicate the likely demand for a considerable variety of goods.

The Institute has also done research into the readership of the press, both editorial matter and advertisements. The 'impact' method is being applied not only to the press but to all other forms of communication as well.

The Netherlands Institute of Public Opinion, founded in 1945, is another Gallup affiliate. **The International Institute of Public Opinion,** founded in 1951, is a sister-organisation. Both institutes specialise in opinion research in its varied forms: The Netherlands Institute nationally and the International Institute internationally.

The Netherlands Institute has carried out 'impact' type studies of the effect of communications, such as leaflets, films and advertisements in the press. It has also developed some new approaches in opinion research. One is in respect of predicting future consumption of a variety of goods with the result that today continuous research of 'International Consumption Prospects' has become a fact.

Secondly, the Institute has developed a new method for observing and annotating attitudes. This is based on an almost completely non-verbal questionnaire technique, employing a picture of five white and five black squares. A respondent is asked to indicate his attitude, feeling or opinion about any subject by pointing to one of these ten squares so as to bring out the degree of intensity of his feeling on the positive or the negative side. The Institute's experience is that in most cases this appears to be a much easier job than verbalising respondents' attitudes and opinions. Some technical advantages are claimed for this technique, and these are: registering content and intensity of opinion in one operation; degrees of intensity being exact, equally spaced and always comparable; judgment by interviewer and researcher is eliminated and there is very little room for verbiage or for interviewer's bias; the non-verbal properties make it ideal for international studies, eliminating as it does most semantic difficulties; and it also does away with two problems in verbal-scaling techniques by clearly defining the subject of the attitude and by eliminating judgment about the content or direction of a respondent's attitude.

The Swedish Institute of Public Opinion Research, founded in 1952, developed out of a bureau for marketing research which had been in operation since 1947. The bureau's 700 interviewers are now working also for the Opinion Institute.

The Institute completed in 1953 its first important work commissioned by a Government department, a survey of the condition of transport trucks. One thousand truck drivers in all parts of Sweden, selected by a probability sampling method, were asked questions every day in one week about each trip they made.

The Institute has also been working on a plan for long-time studies of the morals, interests, opinions, etc., of the Swedish people covering all ages down to 11 years.

The Service de Sondages et Statistiques of France was founded during the last war. The SSS has a network of some 200 correspondents spread throughout the whole of France. It is claimed by Mr. Elmo Wilson, Chairman-Director of International Public Opinion Research, that in relation to the political distribution of the French population, the points of contact of the network of correspondents are so situated as to ensure a representative picture that is 95 per cent accurate.

The activities of the SSS are generally conducted in the fields of public opinion research (political, social, economic surveys, etc.), market surveys, psycho-sociology, etc. Since the end of the war the SSS has conducted a number of pre-electoral surveys. The average error in four such surveys in 1946 and 1947 was just 2.6 per cent. Further, a survey conducted in December 1949 on the distribution of the French population by age and civil status group produced figures diverging from those of the 'Institut National de la Statistique' to the following extent only: age group distribution, average divergence 2 per cent; civil status group distribution, average divergence 2 per cent.

The National Public Opinion Research Institute of Japan, statutorily established in 1949, is an autonomous organ attached to the Prime Minister's office. The purpose of the Institute is to conduct public opinion research fairly and independently in order to contribute to the forming of policy and the operation of the administration. During its seven years of operation, the Institute has been primarily concerned with the application of sample interview survey methods to various problems. It has conducted during the period over 60 surveys, some of national scope and some restricted to special groups. Since 1952 the Institute has conducted surveys in respect of local autonomy, telephone service, public education, attitude toward the peace treaty, purge of public officials, food supply, problems of minor enterprise, international issues, attitudes towards prostitution, the family system etc.

The World Association for Public Opinion Research (WAPOR) was founded ten years ago. It is merely an association of individuals and is prohibited by its constitution from carrying out any research as an organisation. WAPOR's purposes are merely to establish and promote international contacts in the opinion research field and to further the use of high standards of sample surveying in national and international affairs.

Record of Research in India

THE study of public opinion based on statistically planned surveys in this country has had its origin only in recent times. In fact it was only since the last war that any serious attention was bestowed on this hitherto unexplored field, and here the name of the Indian Statistical Institute at once comes to one's mind as a pioneer. Earlier, the work of the Institute had been connected with agriculture and socio-economic surveys which were done at the request of the provincial Governments.

One of the earliest public opinion surveys of the Institute related to a radio programme preference study conducted for the Department of Information and Broadcasting during the war. The main object was to gauge public reaction to war broadcasts from allied, neutral and enemy stations and this was sought to be achieved as an incidental part of a general study of programme preferences. The result was a bit revealing as it was discovered that the general public in and aroud Calcutta found enemy broadcasts more interesting and convincing than that of the Indian Radio. Similar interesting results were obtained as a result of a number of other studies undertaken by the Institute. For example, after a general public opinion study conducted in Calcutta, it was found that there was increasing opposition to religious instruction in colleges among the better educated and greater opposition to the remarriage of widows among women than among men. The surveys, however, had to contend against a number of difficulties and especially social prejudice which often operated to inhibit full and frank replies to questions of a sociological nature. Added to that was the low information and literacy level of the general public which led to heightened ambiguity in the interpretation of questions.

NATIONAL SAMPLE SURVEY

The most notable work on economic subjects in this field of public opinion research has, however, been done by the National Sample Survey. Initiated in 1950 by the Government of India at the instance of Mr. Nehru, the NSS has carved out a place for itself by popularising the sampling method which has now been recognised as one of the powerful methods in obtaining information and interpreting various factors at work in the Indian economy. It has already carried out a number of surveys in the rural as well as urban areas as a result of which economic data on large samples are now available which should prove a mine of information to a student on this subject. The bulk of the field work is being done under the direct control of the Department of Economic Affairs, Ministry of Finance but the statistical work, which includes the preparation of the sample design and schedules, the processing and tabulation of the data and the preparation of the reports, is being done in the Indian Statistical Institute. The first report of the NSS was published in 1952 and since then a number of reports have been published dealing with the surveys of the NSS in rural and urban areas, a survey of persons in the Live Register of the Delhi Employment Exchange and so on. Apart from this, the NSS has conducted special surveys and reports and data in tabular form have been supplied to different agencies from time to time. Mention should be made here particularly to the work done for the Press Commission (regarding habits of newspaper reading), the Taxation Enquiry Commission (regarding household consumption by expenditure levels) and the Ministry of Rehabilitation (regarding survey of refugees in Bombay).

I.I.P.O.'S SURVEYS

A non-official body known as the 'Indian Institute of Public Opinion' has been started recently for conducting public opinion research on political, social and economic subjects on a systematic basis. This institute can lay claim to some substantial work ever since its inception in the middle of 1955. The Institute's reports, based on the activities of its units in West Bengal, Travancore-Cochin and Delhi, show that economic as well as political and social subjects come within the Institute's purview and, especially with regard to the latter, its work in this country can be termed in a way as pioneering. Here an attempt is made to bring out the results of some of the important polls conducted by the Institute which are typical of the wide field it tries to cover.

With attention recently focussed on the 'socialistic pattern' of society and, arising out of it, the future of the private sector, the Institute bestirred itself last year to conduct a probe into the public's attitude to these questions. The result was a bit revealing; 82 per cent of those interviewed in Delhi had never heard of the Avadi resolution while the corresponding figures for Travancore-Cochin and Calcutta were 25.7 per cent and 26.9 respectively. This lack of interest in a subject of such momentous importance only went to disprove the contention that the majority of the urban population knew about the aims of the socialistic pattern. In the overall picture what emerged was that only a fourth had deeply read the Avadi resolution and the number of those who had really absorbed it might be one-sixteenth of the total population interviewed. That is with regard to the 'awareness' of the problem in general.

The poll, however, showed that among those who entertained an opinion, there was a powerful radical element when it came to the question of considering the ingredients of the socialistic pattern. In Travancore-Cochin for example, 66.8 per cent wanted existing industries and factories to be taken over by Government. However, when the radical element was balanced against the lack of interest of many questioned, it would appear that only a fourth wanted complete public sector administration. What was conclusive was that radicalism in the intelligensia was considerably higher than it was in the population as a whole. Another interesting result obtained was that the interpretation by the public of what was involved in a socialistic pattern was very different from what the Government of India and the Congress party proclaimed because for those who believed in this new pattern, it implied a vast area of Government ownership and control not only confined to large-scale industry and banks, but covering small-scale and cottage-industries, schools, colleges and hospitals.

With regard to taxation and people's contribution to the resources of the public sector also some new light was thrown. The results were clear that taxation would meet heavy psychological opposition among the great majority of the people and it would appear that the general view was public sector development should be financed by the rich only or tolerated as an 'evil necessity otherwise. Now what was the position with regard to the future of the private sector on which the poll was mainly concentrated? The results showed a substantial prejudice against the private sector particularly in relation to the exploitation of the consumers and the undue diversion of interest for profit-making. Of those who entertained an opinion at all, it would appear that except in Travancore-Cochin, there was no substantial agreement on the need for the extension of the public sector at the expense of the private sector. The view that private sector should be replaced by the public sector had a slight majority though there seemed to be no understanding of what such replacement implied. The conclusion that stood out was that the opposition to the private sector and the desire for its replacement sprang not so much from the quality of the service that it rendered as from the belief that Government administration would be more conducive to the welfare of the people.

PROHIBITION

The Institute conducted recently a poll on the controversial subject of prohibition to gauge the extent and nature of the support of the public to this policy and whether it should be given high priority when many more urgent problems are clamouring for solution. One thing that stood out from the survey conducted in Delhi and Calcutta was that the public had no clear idea as to the social cost imposed by dinking on the community. At the same time they were also unaware of the exact benefits that would follow by introduction of Prohibition. Moral disapproval of drinking seemed to be the factor deciding the question one way or the other. Another significant fact was that opinion in favour of Prohibition was not closely related to the considered possibilities of its success. Thus in Delhi though 84.4 per cent favoured Prohibition, only 62.8 per cent felt that the policy would be a success. The support for Prohibition in both Calcutta and Delhi showed a sharp fall among the well-educated classes. Contrary to popular opinion, only 2.4 per cent of the respondents in Delhi associated working class misery and poverty with drinking, though in Calcutta, the percentage who expressed this opinion was 16. The most striking result obtained was the fact that a great majority of the people were against prohibition becoming a priority issue. In fact, in Calcutta only 0.3 per cent of the respondent gave it first preference, 0.6 per cent the second and only 1 per cent gave it even third preference. Generally a policy of less haste was favoured and majority opinion both in Delhi and Calcutta supported a 'phased programme'. What was surprising was that even among women, though they enthusiastically supported Prohibition, majority opinion did not seem to favour its immediate introduction.

COLD WAR CONTROVERSIES

THE VISIT of the Russian leaders to this country towards the end of 1955 provided the Institute with an opportunity to embark on a survey of a political subject of first-rate importance, namely the Indian attitude on cold war controversies. The survey thus included not only the impression created by the Russian leaders but also India's attitude to military alliances and foreign aid. The survey showed that the Jan Sangh and the Communist Party showed the greatest interest in the visit of the Russian leaders while the Congress showed less enthusiasm. The interest of the Jan Sangh was explained by the fact that they believed the Russian leaders to be pro-Indian and anti-Pakistani on Kashmir. That apart, on the whole, though a large volume of interest was shown by the people in the visit of the Russian leaders as revealed by the survey in West Bengal, Delhi and Travancore-Cochin the permanent effects seemed to be negligible and the visit as such seemed to have played only a minor role in changing the opinion pattern of the public. The fact was that other factors like Kashmir and Goa and America's military alliances contributed to the crystallisation of opinion regarding the people's attitude to America and Russia.

The conclusion that emerged was that in the structure of Indian opinion towards the main contestants of the Cold War there was a strong element of emotion. This had nothing to do with the merits of the Cold War controversies as such but stemmed from an estimate of national interest of India and in terms of Kashmir and Goa. Since on both Kashmir and Goa the Russian leaders in principle had supported the Indian stand, the pro-Russian or anti-American replies given by the interviewers should be accounted for in terms of Kashmir and Goa. This was a significant result which went to explain Indian preferences in this matter. On the question of military alliances the results showed that while 92.1 per cent of those belonging to Jan Sangh questioned in Calcutta held that all military alliances were aggressive, the Congress percentage was only 27.5. Apart from this the broad picture in regard to attitudes to military alliances was one of wide divergence. Thus while in Calcutta the predominant impression was that military alliances did not help to preserve freedom, in Delhi the opinion was equally divided on the issue as to whether military alliances made for war or were always aggressive or helped to preserve freedom. There, however, tended to be heavier discrimination against the Free World's alliances, particularly the SEATO and Baghdad Pacts than against the Warsaw Pact or the Sino-Russian military treaty. On the question of foreign aid, the survey brought out the interesting fact that a great majority considered that India should receive aid from both sources (Russia as well as America) and similarly with regard to training personnel and technical assistance, opinion was that India should receive assistance from both the countries.

INDIAN SOCIAL ATTITUDES

One of the earliest ventures of the Institute was on a social subject and this related to the measurement of Indian social attitudes. This was, to some extent,

a pioneering survey. Here an attempt was made to find out how far the freedoms enshrined in the Constitution were reflected in the field on matters like caste, joint family, women's rights and various other aspects of social reform. The broad conclusion that emerged was that the Fundamental Rights of the Constitution remained very much a legal fiction and they were inadequately translated in the life of the people whether in the cities, towns or country. A striking result that followed the West Bengal survey was that the need for a change in the social system was more keenly felt in rural Bengal. Thus when asked what was uppermost in their minds, 72 per cent in the village recorded social problems as against 36 per cent in the towns. On the question of caste it was found that it was not more rigid in the villages than in the district towns. Even inter-dining with lower castes was not popular either in the villages or in towns. When it came to marriage about a third in the sample would not contenance a union even with members of a higher caste. On the question of joint family, a third of those interviewed asserted that it had a definite part to play in Hindu society. The conclusion that emerged was that caste still occupied an important place and the legal equalities provided in the Constitution were far from being applied in fact.

The account given so far thus gives a broad (though not exhaustive) picture of the public opinion surveys of the Indian Institute in the various directions. They serve to indicate the vast scope as well as the great possibilities that lie ahead provided one brings to bear over this fascinating field certain initiative, drive and enthusiasm.

India's First Gallup Poll

THE credit for carrying out, for the first time in India a national poll covering General Elections, goes to the Indian Institute of Public Opinion. In the first week of February the Institute interviewed 3,000 representative citizens scattered all over the country. They were selected with the aid of random numbers which ensured the representation of all classes and groups from all parts of India in the sample. A carefully-drafted questionnaire was given to the interviewers who went to the selected 3,000 citizens and recorded their Party preferences. The tabulated results — just announced by the Institute — predict that the Congress Party will poll 53 per cent of the total votes to be polled for the Lok Sabha in the impending General Elections. (This may be compared with a 45 per cent popular vote for that Party in the 1951-52 elections). The Institute also makes a cautious prediction to the effect that the Congress is likely to win more seats in the Lok Sabha than it did last time.

The Institute's sample of 3,000 was divided into smaller samples for different States. An idea of the territorial distribution of the sample may be had from the map at the end of this Supplement. The table which follows shows the size of the sample for different States:

TABLE - I

States	Area Sq. Miles	Population (1951 Census)	Number of Votes	Sample size
Andhra Pradesh	105,677	31,260,133	1,76,60,665	225
Bihar	66,161	38,925,947	1,95,63,747	300
Bombay	191,367	48,265,221	2,43,86,525	500
Kerala	14,601	13,549,118	75,59,047	300
Madras	50,171	29,974,936	1,75,99,056	300
Madhya Pradesh	170,909	26,071,637	1,38,80,209	150
Mysore	74,093	19,401,193	1,01,23,618	150
Orissa	60,136	14,645,946	79,51,805	200
Punjab	47,427	16,134.890	91,12,743	250
Rajasthan	132,439	15,970,774	86,93,031	200
Uttar Pradesh	113,433	63,215,742	3,47,70,434	300
West Bengal	34,944	26,160,217	1,51,18,061	300
Delhi	578	1,744,072	9,76,306	50

It may be seen from the above table that the sample in each State is not proportionate to its total population. It is stated that this distortion was deliberately done to bring out the peculiar political situation that has obtained in the States of Bombay, West Bengal, and Kerala. A smaller sample than 300 in each of these States might not have enabled the Institute to gauge political opinion with any accuracy. As it is, even a sample of 300 to 500 is not considered sufficient to enable the Institute to be absolutely certain of the forecasts with regard to different States. The results of the Institute's Poll — presented in the table below — will have, therefore, to be read with some reservation in so far as they relate to different States for the reason that the sample was mainly designed to predict the overall vote of the Congress Party in the Lok Sabha elections.

I States (Except Manipur, Tripura and Jammu & Kashmir)	II No. of Seats	III Total No. of Votes	IV Percentage of Congress Vote as shown by Poll results (Corrected for turn-out)	V Percentage Contribution of each State to total Congress Vote.
Andhra Pradesh	43	1,76,60,665	59.4	5.5
Assam	12	43,74,089	53.0	1.2
Bihar	55	1,95,63,747	46.0	4.6
Bombay	66	2,43,86,525	46.0	5.8
Kerala	18	75,59,047	41.7	1.6
Madhya Pradesh	36	1,38,80,209	57.0	4.1
Madras	41	1,75,99,056	59.8	5.5
Mysore	26	1,01,23,618	62.0	3.3
Orissa	20	79,51,805	45.0	1.9
Punjab	22	91,12,743	58.4	2.8
Rajasthan	22	86,93,031	46.9	2.1
Uttar Pradesh	86	3,47,70,434	55.0	9.9
West Bengal	34	1,51,18,061	53.3	4.2
Delhi	5	9,76,306	55.0	0.3
Himachal Pradesh	4	6,84,628	53.0	0.2
Total for All-India	490	19,24,53,964	53.0**	53.0*

* Congress is predicted to get 53 per cent of the votes polled.

** Congress will poll 53 per cent of the estimated total vote of 120 million likely to be polled.

The one certain trend revealed by the above table is that the Congress is heading for a definite and large victory in the Lok Sabha contests. Taking the turnout of 1951-52 as its basis, the Institute predicts that nearly 120 million votes will be polled this time in the entire country and that 53 per cent of these votes will go to the Congress.

The Institute's Poll also reveals that all over India some 30 per cent of voters are undecided about their party preferences. Some part of this large undecided vote may swell the Congress vote still further inasmuch as the bandwagon influence is likely to operate on the minds of those voters who have no rigid party preferences. A major share of this undecided vote may,

HOUSE OF THE PEOPLE (LOK SABHA)

Number and Percentage of Valid Votes Polled by the Congress in Contested Constituencies in 1951-52 Elections

Name of the State	Total No. of contested seats	Total No. of valid votes polled	Congress No. of Votes	Congress Percentage
PART 'A' STATES				
Assam	12	26,47,127	12,10,707	53.2
Bihar	54	99,91,510	45,73,058	45.8
Bombay	44	1,15,28,290	57,81,277	50.2
Madhya Pradesh	29	71,92,591	37,13,537	51.6
Madras	73	1,99,29,665	72,53,461	36.4
Orissa	19	36,59,493	15,55,787	42.5
Punjab	18	49,92,338	21,34,588	42.8
Uttar Pradesh	86	1,70,74,825	90,47,305	53.0
West Bengal	34	76,13,932	32,05,162	42.1
Total for Part 'A' States	369	8,46,29,771	3,84,74,882	45.5
PART 'B' STATES				
Hyderabad	23	48,54,862	19,45,798	40.0
Madhya Bharat	11	19,53,571	9,92,159	50.8
Mysore	11	28,24,427	15,09,075	53.4
PEPSU	5	14,75,112	4,92,408	33.4
Rajasthan	20	35,26,957	14,60,971	41.4
Saurashtra	5	7,62,705	5,06,112	66.6
Travancore-Cochin	12	34,90,476	12,24,533	35.1
Total for Part 'B' States	87	1,88,88,110	81,51,056	43.0
PART 'C' STATES				
Ajmer	2	1,78,999	89,761	50.0
Bhopal	2	1,69,457	97,292	57.0
Bilaspur	No Polling took place	No Polling took place	No Polling took place	No Polling took place
Coorg	1	63,813	38,063	59.0
Delhi	4	6,55,900	3,24,214	49.4
Himachal Pradesh	3	2,23,189	1,17,036	52.4
Kutch	2	1,19,580	78,771	65.8
Manipur	2	1,52,467	36,317	23.0
Tripura	2	1,57,371	40,263	25.6
Vindhya Pradesh	5	7,05,838	2,38,220	33.7
Total for Part 'C' States	23	24,26,614	10,59,937	43.7
TOTAL FOR ALL STATES	479	10,59,44,495	4,76,65,875	45.0

(House of the People)

TURN-OUT IN THE FIRST GENERAL ELECTIONS

Name of States	No. of Seats	Total No. of Electors	No. of seats filled without contest	No. of contested constituencies	Total No. of electors in contested constituencies	Total No. of votes in contested constituencies	Total No. of valid votes polled	Percentage of Col. 8 to Col. 7
1	2	3	4	5	6	7	8	9
PART 'A' STATES								
1. Assam	12	*41,41,720	..	10	*41,41,720	*55,51,366	26,47,127	47.7
2. Bihar	55	1,80,80,181	1	44	1,80,80,181	2,46,71,649	99,91,510	40.5
3. Bombay	45	1,67,90,399	1	37	1,67,90,399	2,20,10,958	1,15,28,290	52.4
4. Madhya Pradesh	29	1,10,75,140	..	23	1,10,75,140	1,56,42,757	71,92,591	45.0
5. Madras	75	2,69,80,956	2	61	2,66,34,551	3,53,91,308	1,99,29,665	56.4
6. Orissa	20	77,08,161	1	15	73,14,562	1,03,40,076	36,59,493	35.4
7. Punjab	18	67,18,345	..	15	67,18,345	90,23,376	49,92,338	55.3
8. Uttar Pradesh	86	3,17,70,309	..	69	3,17,70,309	4,44,53,234	1,70,74,825	38.4
9. West Bengal	34	1,24,97,714	..	26	1,24,97,714	1,87,98,160	76,13,932	40.5
TOTAL FOR PART 'A' STATES	374	13,57,62,925	5	300	13,50,22,921	18,58,82,884	8,46,29,771	45.5
PART 'B' STATES								
10. Hyderabad	25	90,35,497	2	20	86,72,665	1,08,63,219	48,54,862	44.7
11. Madhya Bharat	11	40,90,857	..	9	40,90,857	55,68,353	19,53,571	35.0
12. Mysore	11	39,69,735	..	9	39,69,735	54,39,098	28,24,427	51.9
13. PEPSU	5	17,63,531	..	4	17,63,531	24,76,806	14,75,112	59.5
14. Rajasthan	20	76,76,419	..	18	76,76,419	91,83,626	35,26,957	38.4
15. Saurashtra	6	18,38,880	1	5	15,43,511	15,43,511	7,62,705	50.0
16. Travancore-Cochin	12	42,10,244	..	11	42,10,244	49,15,842	34,90,476	71.0
TOTAL FOR PART 'B' STATES	90	3,25,85,163	3	76	3,19,26,962	3,99,90,655	1,88,88,110	47.2
PART 'C' STATES								
17. Ajmer	2	3,29,484	..	2	3,29,484	3,29,484	1,78,999	54.3
18. Bhopal	2	4,19,970	..	2	4,19,970	4,19,970	1,69,457	40.3
19. Bilaspur	1	68,130	1	No polling took place.				..
20. Coorg	1	94,593	..	1	94,593	94,593	63,813	67.0
21. Delhi	4	7,44,668	..	3	7,44,668	11,32,521	6,55,900	57.9
22. Himachal Pradesh	3	5,31,018	..	2	5,31,018	8,81,455	2,23,189	25.3
23. Kutch	2	2,88,400	..	2	2,88,400	2,88,400	1,19,580	41.4
24. Manipur	2	2,98,552	..	2	2,98,552	2,98,552	1,52,467	51.1
25. Tripura	2	3,29,806	..	2	3,29,806	3,29,806	1,57,371	47.7
26. Vindhya Pradesh	6	17,60,926	1	4	17,60,926	23,48,381	7,05,838	30.0
TOTAL FOR PART 'C' STATES	25	48,65,547	2	20	47,97,417	61,23,162	24,26,614	39.6
GRAND TOTAL FOR ALL STATES	489	17,32,13,635	10	396	17,17,47,300	23,19,96,701	10,59,44,495	45.7

* Including electors of Naga Hills Distt. which is a part of House of the People constituency No. 2.

however, go to the Independents who have no party affiliations. In other words, a section of the 'undecided' may favour ultimately the winning party.

The Institute makes no confident prediction in respect of State-wise results of its Poll. From Column IV in the foregoing table a rough idea of the varying strength of the Congress Party in the various States may be obtained. The Congress is less strong in the States of Kerala, Bombay, Bihar, Orissa and Rajasthan than in other States. Kerala strikes one as the weakest point where the Congress vote is likely to be around 41 per cent.

From the analysis of the pre-election poll, it is evident that the Congress Party vote in Bombay State has decreased from the 50 per cent that it polled in the last General Election to 46 per cent. In other problem-States—West Bengal, Kerala, Andhra and the Punjab—it has, however, improved its voting strength. In Uttar Pradesh, the Congress party may fare better because elections there will be held after the results have been declared in most of the other States, and are likely to influence voters there. The analysis further reveals that while the Congress Party's loss in Bombay is due mainly to the creation of the bilingual State, the improvement in the Party's strength in other States is due largely to the benefits that have accrued to the people—mainly the agriculturists—as a result of the Congress Government's Five-Year Plans. State-wise the Congress has fared as follows:

BOMBAY

Of the 3,000 persons that were interviewed by the staff of the Institute in connection with its poll, throughout the country, 518 were interviewed in Bombay State alone. An analysis shows that the Congress Party has lost 4 per cent in its popularity since the last General Elections and that the influence of the Samyukta Maharashtra Samiti is less than that of the Maha Gujerat Parishad. In fact, the latter got 7.93 per cent votes as against barely 3.05 per cent that the Samyukta Maharashtra Samiti got. Pro-Gujerat feeling is likely to be reflected in the polling to the State Assembly where, according to the results of the poll of the Institute, the Maha Gujerat Parishad may well capture two times the number of seats that the Samiti wins.

There is, however, an element of uncertainty in the forecast. Thirty per cent of the "undecided vote" may change somewhat the pattern of the Institute's result.

WEST BENGAL

In this State, according to the Institute's poll, the Congress Party has increased its strength by 10 to 11 per cent since the last General Elections, The Communists, who have a solid bloc of voters, have not lost ground appreciably since then. The Institute therefore rules out the possibility of the Communists improving their present position.

KERALA

In Kerala, the poll shows that the chances of the Congress Party are brighter than they have ever been since 1951-52, in spite of the fact that the party got the lowest (41 per cent) vote in this among all the States. Of the 150 persons interviewed in Trivandrum and its surrounding areas, about 31 per cent were for the Congress—almost the percentage it polled in 1951-52. In the northern areas of the State, 52 per cent of the 150 persons favoured the Congress Party.

ANDHRA

The Congress Party's victory is a foregone conclusion. This is because the election is being held only in the Telangana area of the State and if the Congress Party were to lose all the seats—which is most improbable—the party would continue to remain in power on the strength of its present position in the State Assembly. This fact is bound to affect favourably the Congress Party's chances for the Lok Sabha. The sample poll shows that nearly 59 per cent are for the Congress Party; there is, however, also a slight improvement in the Communist vote.

PUNJAB

In this border State, the Congress Party's voting percentage is likely to be lowered slightly because of its split with Master Tara Singh, the Akali leader. The Communists and the Jan Sangh are, however, not likely to improve on the results of last General Elections, when they polled 6 per cent and 5 per cent respectively.

UTTAR PRADESH

On the basis of the poll, the Institute has drawn the conclusion that the Congress Party will get nearly 55 per cent of the polled votes. There are, however, chances of a landslide victory for it. There is a 35 to 40 per cent undecided vote whose choice is likely to be affected by the Congress Party's victories in other States where election results will have been announced by the time polling starts in this State.

Future of Research

BY all accounts public opinion research has a promising future in India. This future will be intimately connected with the future of democracy itself in this country. That Indian democracy may well grow from strength to strength, is the optimistic forecast of "The Eastern Economist" in its latest Annual Number devoted to a study of the next 20 years. There is ground for optimism on several counts. Firstly, the monolithic character of the Indian Revolution will have spent itself. Secondly, women will have emerged from their restricted life and will be playing, with the Constitution behind them, an equal role with men in many new undertakings. Finally, the mobility which industrialisation will bring, will probably work new miracles in spreading the seed of creative thought in fresh fields and pastures new. The public opinion poll may well assist and subserve such democratic growth in India by "ventilating the gigantic structure of Government with the people's thinking."

The possible contributions that public opinion sampling polls can make to the democratic process are many. In the first instance they can provide political leaders with a fairly accurate gauge of public opinion from time to time between one election and another. They can speed up the processes of democracy by providing swift reports of public opinion. They can help to focus attention on the major issues of the day. They can uncover how well-informed or ill-informed people are about government and about social, cultural, economic and international problems. They can help administrators of Government departments to make wiser decisions. They can provide almost the only check on the power of pressure groups. And they can help to

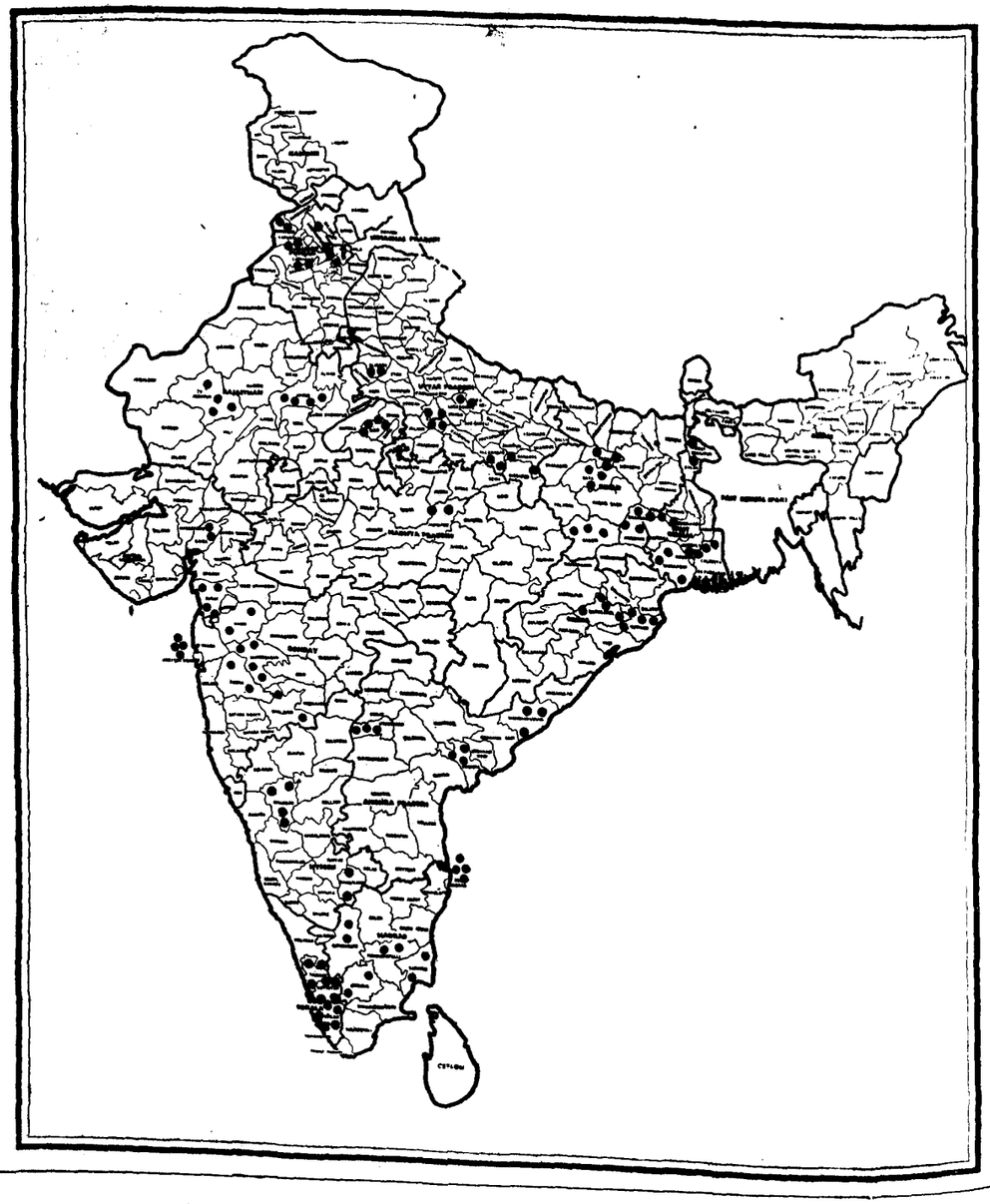
define the "mandate" of the people in the national elections inasmuch as they test public sentiment on single issues and single individuals when public interest is at its height.

These contributions have, in fact, been made by the public opinion polls in the Western democracies. These polls have, besides, shown that the common people do make good decisions and that they are not motivated in their voting solely by the factor of self-interest as many politicians have presumed. If, as Talleyrand laid down in a dictum, "the only thing wiser than anybody is everybody", there is no gainsaying that the public opinion poll is the "most useful instrument of democracy ever devised". That it may well turn out to be an equally useful instrument of India's infant democracy, is the hope of pioneering pollsters in this part of the world.

DISTRIBUTION OF THE SAMPLE

PRE-ELECTION POLL

ONE ● REPRESENTS 25 INTERVIEWS



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The Problems of Economic Growth

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Problems of Economic Growth

AS in all cases of human growth, we are often attracted to the fact of growth by growing pains. In the case of economic growth we have recently stumbled on something like this unpleasant discovery of the need of a close analysis of what is involved in our own economic growth. These problems were relatively hidden while the car was running well; now that both the foreign exchange and internal resources positions are exacting, we are beginning to feel that economic growth has as great problems as it has opportunities. If, instead of approaching these problems in what might be called a personal sense, we had approached them as a historical process in which many other countries have had greater experience than our own, we might conceivably have avoided something of the strain which has now come upon us. Not, indeed, that nations, any more than individuals, can entirely escape the judgment of experience which means, simply enough, making their own mistakes in their own particular environment regardless of what they have learnt elsewhere abroad. Nevertheless, there have been underlined in recent years some great lessons in the philosophy of economic growth; fortunately these have been described in the last decade more abundantly than at any time in economic history.

Our present challenge comes opportunely in another respect. This is because of the Conference on Economic Growth which the Congress for Cultural Freedom arranged in Tokyo from April 1 to April 8 this year. The Conference was unique in that it brought together as happy a group of eminent economists as have ever studied these problems. There were papers of great value by some of the leading authorities of the world. It has unfortunately not been possible to publish all the papers or to publish even one in detail. In the pages that follow a selection of five papers has been made arbitrarily, and, from the point of view of the total subject, unfortunately so as to omit some important subsidiary issues. Nevertheless, there are here in a small compass some of the central ideas which were discussed at Tokyo. "The Eastern Economist" is deeply grateful to the Congress for Cultural Freedom which has permitted their reproduction in India in the same month in which the papers concerned were discussed at this remarkable Conference.

It is not necessary to say much more at this stage than that many of our easy generalisations on the capacity of an economic system to grow, given the requisite inputs of capital and labour, are extreme oversimplifications which have tended to mislead as much as they have tended to guide and instruct. In particular, a capital-output ratio, applied mechanically over a country so vast and so varied as India, must necessarily be misleading. One thing is now fairly sure. The extreme mechanical approach to Indian planning which takes little account of the intense variations in human psychology in response to given groups of incentives is bound to total failure in under-developed countries like our own. The element of psychology is reflected strongly in the most important field, which is agriculture. Why, for example, as the second Five-Year Plan has got under way, has the tempo of our agricultural progress tended to slacken if not to fall back? Almost no one dealing with capital-output ratios and cheerful projection planning can fail to recognise that the simple talismans do not here hold. And if they tend not to hold in agriculture, does not the whole plan for industrialisation come under qualification, since particularly with a large group of heavy industries, it is out of agricultural surpluses that industrialisation must proceed? These are burning questions, the more challenging since we have arrived at a crisis in which they form the central part.

"The Eastern Economist" does not pretend that the articles that follow do anything more than illuminate the grand theme. When many books written on the subject are unable to fit in with every case, no one will complain that these articles are not immediate solvents of our present condition. But it is believed that this Blue Supplement will serve the purpose of directing attention to various aspects of our problems which have not received anything like the study they deserve. "The Eastern Economist" is grateful again to the authors whose papers are here submitted; it apologises to them in advance for a process of editing which does justice to no paper, and less to the honoured names of some of the world's foremost economists with whom these daring liberties have been taken.

From Political Economy to Political Ecology

By BERTRAND DE JOUVENEL

THE science of economics deals with the labour of man and the fruits of that labour. For several generations its chief concern was to analyze the increasingly complex co-operation which was developing among men for the purpose of satisfying their needs. Economics showed how each individual producer, by means of increasing specialization, gained access to an increasing range of consumer goods. It explained how "the market" (a generic term covering a related series of mechanisms) distributed tasks and claims among society as a whole, constantly restoring the balance between the supply and demand of each product and maintaining the general economic balance. Many economists devoted particular attention to the causes of disturbance of that general balance (the "slump" theory), while some concentrated on the social evils inherent in the distribution of claims throughout the population (views on redistribution).

The present-day science of economics is concerned with basically different questions. Its chief interest is no longer economic balance, but economic growth. The economist no longer strives to understand what it is that maintains the present co-operation, thanks to which a people, as a whole, obtains for itself the whole range of consumer goods at present available; his aim is to recommend any changes in the form of that co-operation which may be expected to lead, in course of time, to an increase in the number of those goods. Time is a dimension of prime importance in the mind of the economist, and his subject is gradually transforming itself into an art of constructing the future.

It is, in fact, almost a new science, though one deeply rooted in the old one, from which its concepts derive. This leads to several difficulties. When we describe an existing economic system, in its present state, it is legitimate to disregard the specific character of the work done and the objects and services obtained, and to replace all these individual terms by their monetary equivalents. But this reduction of all concrete things to a monetary common denominator entails certain definite dangers, which today are clearly recognized, if we are endeavouring to compare the simultaneous condition of two geographically distinct populations. It entails other dangers, which have hitherto been insufficiently stressed, when we endeavour to compare the condition of a particular population at a particular time, with its condition at another time, tracing the changes in its condition within a given chronological period.

With regard to the comparison in space, we need only give an example. The economic services of the United Nations have informed us that in 1949 the national per capita income was $57 in India and $1,453 in the United States. As the expendable individual income is always lower than the national per capita income, and the median income always less than the average income, this is tantamount to saying that more than half the inhabitants of India are living as an American in the United States would live if he had less than $57 per year. But the latter would not live at all. This demonstrates the unsoundness of such a comparison. The drawbacks of expressing economic forecasts in monetary terms are, however, less clearly recognized.

DANGERS OF THE ABSTRACT ECONOMETRIC EXAMPLE

Present-day economists quite rightly attach considerable importance to the fraction of the (net) National Product which is allocated to (net) investments. Furthermore, they have devoted some very interesting research to the empirically observed relationship between increase in capital and the accompanying increase in Net product; and though the ratio of the new capital to the resultant new product appears to vary widely from one sector to another, experts in this field have arrived at an over-all estimate fixing this ratio (the so-called "capital coefficient"), at 3 to 1.

It is evident that with the help of the variable "investment rate" (taken as meaning the share of net investment in the net National Product) and the "capital coefficient" regarded as a constant, one can easily—setting aside the question of demographic changes—arrive at propositions such as the following:

With a net investment rate of 9 per cent, the Net Product will increase at the rate of 3 per cent per annum and be doubled in 24 years; with an investment rate of 12 per cent, the Product will increase at the rate of 4 per cent and be doubled in 18 years; with an investment rate of 15 per cent, the Product will increase at the rate of 5 per cent and be doubled in 15 years.

And these periods can even be considerably reduced, if we lower the capital coefficient by excluding investments with an exceptionally high capital coefficient, such as housing. If, by a suitable balance of investments, we reduce the capital coefficient to 2, an investment-rate of 12 per cent will result in an increase of 6 per cent per annum and the Product will be doubled in 12 years.

Here I would like to clear away two possible sources of misunderstanding: in the first place, I am not suggesting that any economist bases his views on such rudimentary examples as these; in the second place, I regard such examples as possessing tremendous instructive value, and it is thus that Professor Lewis uses them so effectively in his stimulating treatise on economic growth. Nevertheless, some masters play upon this instrument in a way which may lead their pupils to conceive economic growth as a species of multiplication of income by means of its invested fraction, with the capital coefficient as intermediary.

In unskilled hands, this method of reasoning will be in danger of the well-known but long-taught error about individual savings, which were represented as capable of unlimited expansion.

Every student of biology begins by learning that growth by compound interest is a natural tendency of Life; he then learns that tendency is opposed and offset by natural obstacles. The danger of reasoning in monetary terms is that it leads one to forget the natural obstacles.

THE NATURAL OBSTACLES

As an exercise, let us take the Europe of the E.C.S.C., whose population approaches that of the United States (160 million inhabitants, as against 169 million). Suppose, for the sake of our argument, that its present 'per capita' product amounts to half that of the United States in 1950. The question is: how long it will take the inhabitants of the E.C.S.C. countries to arrive at the point where the Americans stood in 1950, on the assumption that the European Product will increase at the rate of 4 per cent per head per annum. Reduced to arithmetical terms, this problem can instantly be solved by a child: the time required will be 18 years.

Well and good. But now let us open to page 5 of the Paley Report which shows the weights of the various primary products of different kinds, consumed per head of the population of America in 1950, and representing the "input" which formed the basis of the way of life we were proposing to have imitated by 1975. This entirely alters the aspect of our problem: it is no longer abstract; it is concrete. We have to obtain the indicated quantities of primary products, multiplied by the population of the E.C.S.C. Europe at its 1975 figure.

As soon as we put the problem in these terms, we begin to wonder how the E.C.S.C. Europe will obtain these quantities, where they will be found, what proportion of them will have to be imported, how those imports will be paid for, whether they will not be so high as to have an unfavourable result on the E.C.S.C. balance of foreign trade, to what extent this unfavourable result will tend to produce the effect of an increase in the capital coefficient in the export sector, whether it will not be necessary to cultivate many of the desired products in Europe, whether this would not lead to a high capital co-efficient, etc.

It is neither necessary nor possible to discuss this problem in detail. There are equal chances of its being solved easily, with difficulty, or of its proving insoluble. I merely wanted to show clearly that the problem does exist, that it is impossible to consider economic growth without taking into account the physical factors involved.

NATURAL FACTS AND THE INTELLECTUAL VANISHING-TRICK

When listening to a lecturer in economics, one will sooner or later find him referring to "the function of production", which represents the 'output', the results of the productive operation, as the result of the combination of various 'inputs'; and the time-honoured method is to reduce this wide variety of 'inputs' to three categories — natural resources (known for short as "the ground"), labour, and capital. If at this point we carefully follow the course of the lecture, we shall note that after mentioning these three factors, the lecturer soon drops the "ground" factor (natural resources) and continues in terms of only two factors, labour and capital.

This induces in the student a calm conviction that the flow of goods depends entirely on human labour. For though that labour is only one of the two remaining factors, the student learns that the other — capital — represents the objects "given", at the moment under consideration, as the basis of production — objects which were themselves produced by labour at a previous period. Thus, the means of production are reduced to human labour, in its different forms — labour represented by its concrete results, and labour available.

This method of representation has its definite value. It enables attention to be drawn to the marginal productivity of each of the two factors retained and makes it possible to discuss the conditions in which capital elements can most advantageously be substituted for labour elements (in other words, productive deviations").

But it has the great defect of suggesting that the flow of goods offered for the satisfaction of man's needs depends solely upon man's own effort, 'completely independent of his natural surroundings'. Here I would recommend the following experiment: Ask a class of students: "If the entire cotton crop of the world were destroyed by a pestilence, what would be the loss to world economy?" You will be surprised to find how many of them will reply that the loss will be equal to the estimated value of the crop, and how few will reply that it will be equal to the total gross product of the industries which make use of cotton, less the proportion of output which can be maintained by drawing on existing stocks.

In brief, people are not sufficiently clear as to the fact that what we call "production" can never be anything but the processing of natural resources, and depends entirely on those resources. It would be absurd to regard certain natural resources as the source of economic development, as its effective cause — as was done by those who declared that England became the world's leading industrial power because she was carried to that position by the wealth of coal in her subsoil; there was coal in other parts of the world. But it is permissible and salutary to regard natural wealth as a material cause, in the Aristotelian sense of the term.

It is imprudent to assume that any given form of economic development can be precisely duplicated in a very different natural environment.

For these different reasons, it seems to me that the teaching of economics should always be preceded by an ecological introduction. Before talking of the way men are organised for the purpose of obtaining goods, we should show that the goods obtained are related to the natural environment and that the essential purpose of the organisation involved is to get the best out of that environment.

ECOLOGY

The world "ecology" seems to have been used for the first time by Haeckel, the naturalist (who used the form "oecology"). It is very convenient as a contrast to "economy", ecology deals with the relationship between one species and the rest of Nature, and economy with the relationship between individuals belonging to the same species (the two relationships not being entirely independent of each other).

In a highly organized society such as our, Nature disappears behind the mass of our fellow-creatures; each individual believes that his living depends on his relationship with his fellows, the services he renders them and the return he receives for these; he has forgotten that he lives on what the population of which he is a member can draw from its natural environment. Everything he makes use of seems to him to be the product of human labour; this is true so far as concerns its form; but its substance is obtained from Nature. We recognize our borrowing from Nature in bread, but we forget it in the airplane — in its body, whose components are minerals, its rubber tires, and the fuel it obtains from the bowels of the earth.

Synthetic and artificial substances tickle our conceit; these, we think, are all our own unaided work. Yet plastics and artificial fibres are nothing but wood in disguise.

The proudest society, like the most primitive organism, lives parasitically on its surroundings; only it is an intelligent parasite, and varies its methods.

Every living organism, without exception, draws to itself certain substances which it obtains from its environment, absorbs those substances, transforms them, and utilises them. The growth of a whale, beginning with the egg, is a process of construction which, so far as concerns dependence on substances from outside itself, differs not a whit from the construction of a skyscraper; in both cases materials are taken, transformed and adjusted according to a plan. The difference between the two operations is that the one is biological and the other rational, and that the one procedure is

identical on every occasion, whereas the other is perfectible; whales were being constructed on the present pattern in the days when men were only building huts out of mud and the branches of trees.

Whether the unit in operation is a living organism or a factory, there is always an expenditure of energy, which must be compensated by a supply of fresh energy; and that supply is invariably derived from the natural surroundings. For a human community, as for the most fragile organism, there can be no activity without the absorption of energizing substances.

There is no need to elaborate on this theme of social metabolism. Zola called Les Halles (the Central Market) "the belly of Paris", and Verhaeeren, with a more felicitous choice of words, refers in a poem to "the tentacular cities" which, octopus-like, grope further and further to seek the ever-increasing variety of substances needed for the nourishment and growth of their huge bodies.

Every form of life is inevitably a form of exploitation of its surroundings, and a civilization is merely a form of exploitation which has been developed by the exercise of intelligence. As soon as this has been pointed out, it seems blatantly obvious; but it is not enough to accept it as a fact; we have to deduce the consequences to which it leads. They interested Montesquieu and obsessed Malthus. But the course taken by ideas is sometimes curious; some ideas are no sooner mooted, than willing supporters thrust them to the fore. Others remain dormant for generations; and such was the fate of the idea with which we are concerned today, and which has recently been occupying a great many other people too.

We need to be able to refer to an ecological history of civilizations, but that has not yet been written. The structure I have tried to erect here, borrowing my materials from a number of different disciplines, is merely a makeshift scaffolding. But it has, I think, some value as suggestion.

There is no one nowadays in the West who does not share the noble desire to further the improvement of ways of life in what are called the "underdeveloped" countries. Some of the most eminent economists have made this their speciality, and the subject of economic development is taking an increasingly prominent place in theoretical reviews. These are the circumstances which led me to the reflections set forth here, which were prompted by the fear that our own experience might be expressed in general terms, without sufficient regard for the specific differences between natural conditions.

I am apprehensive as to the consequences which might result from purely and simply applying, to countries rich in manpower and comparatively poor in natural resources, of a system of thought which is directed towards economizing labour and is indifferent to wastage of resources. I cannot feel certain that the economic policy indicated by the proposal to raise the National Product (as we count it) to a maximum will prove compatible with the policy of helping a population to live as happily as possible on its own natural resources.

We already have before us a great economic system built up by dint of imitation, the Soviet system, which aims at reproducing, by authoritarian means, the economic system of America. Here the physical conditions could not have been more favourable; yet the results, in terms of humanity, have not hitherto been satisfactory. With an economic system insufficiently endowed with natural resources, they might prove disastrous.

The Development of Agricultural Productivity

By COLIN CLARK

Two of the opinions most frequently expounded in the world today are, firstly, that most nations are poor and hungry because of imperialism, and secondly — a view expressed mainly by British and American propagandists — that most nations are poor and hungry because they are overpopulated, and that restrictions of population is the world's most urgent necessity.

These two schools of thought, naturally, attack each other strongly. But they have one thing in common. Both of them rest their case on what they believe to be a basic fact, namely, that "two-thirds of the world's population is under-nourished".

The amount of food required per head of population, and the amount which can be produced under various circumstances should be capable of quantitative statement. Once we have these figures, it immediately follows that we can deduce the interesting result, of the proportion of the whole labour force required for food production, and the remainder whose activities can be devoted to other ends.

In making these estimates for primitive and low-income countries (but definitely not when dealing with more advanced economies) it is expedient to make use of the device of the "grain equivalent". The first to make extensive use of this device was Professor Buck in his book "Land Utilisation in China", which was the fruit of a comprehensive survey of hundreds of Chinese agricultural villages, carried out by the University of Nanking in the year 1929-33. Tubers, nuts and oilseeds were re-expressed as grain in proportion to their carbohydrate content, and fruits, vegetables and minor crops were converted into grain equivalents in proportion to the relative prices prevailing in the local market. In Professor Buck's work livestock products were excluded altogether; but their relative importance in the product of Chinese agriculture is so small that this omission did not make any serious difference.

This method is feasible for low income countries in the first place because grain and kindred products represent a large proportion of their total food consumption; and secondly, because in such communities the relative price of minor farm products, particularly fruit and vegetables, is much lower than it is in more advanced countries.

Omitting one district where some livestock products may have been available Professor Buck found that production of grain equivalent per head (of all the population on the farm, not merely the working population) might be, under the most unfavourable circumstances, on the smallest farms, as low as 250-300 kilograms per year. Consumption must have been rather lower than this, because presumably even under these unfavourable circumstances a certain amount had to be exchanged for purchase of other commodities, payment of taxes, etc. Consumption per head in India, for which we have more precise records, similarly calculated, when it was at its lowest in the period 1951-54, stood at 300 kilos per head. Of this only 120 kilos per head was direct consumption of grain, and the remainder represented the grain equivalent of consumption of other foods. Alteration of the value equivalent attached to these other foods would not make much difference to the final result, except in the case of milk, which is consumed in comparatively large quantities in India, and which, at Indian prices, is equivalent to 2½ times its weight in grain, a ratio much higher than in Europe or America. If we put these alternative lower values on milk, the grain equivalent of all food consumption in India comes down to 250 kilos per head. This should be considered somewhere near a minimum. The Indian Government maintained rationing of food in all urban centres throughout this period 1951-54 and imported food, although it was very reluctant to spend foreign exchange for this purpose. So we may presume that consumption standards must then have been about at a minimum level. These figures include no allowance for textile fibres, hides and other inedible farm products, which might raise the total by some 10 per cent.

Before, however, we try to fix 300 kilos, or any other figure, as a minimum value of consumption per head, measured in grain equivalents, for all times and places, we must remember the factors, already mentioned, causing minimum standards to differ between different countries, particularly the age, consumption of the population, climate, and average body weight. In each of these respects, we would expect, average Indian consumption, per head to be considerably lower than that of almost any other country, even China, where the climate is colder and body weights are higher.

Of the other countries for which reasonably precise estimates of quantities of food consumption per head are available, Egypt comes next to India. Egypt shows a food consumption of 430 kilos of grain equivalent per head, or 350 if we reckon milk at European rather than Indian relative value.

Dr. de Vries considers that, for tropical oriental populations, where climates are warm and body weight low, a subsistence minimum is represented by 400 kilograms of grain equivalent of all agricultural produce (including livestock products, textiles and fibres etc.) measured per head of the farm population, equivalent to 300-350 kilos per head of the total population. In various low-income regions, consumption of grain as such has been estimated at over 200 kilos per person per year, as for instance by Redfield and Villa in Yucatan, who found an average consumption of 215 kilos. In a poor district in Guatemala, consumption of maize per head was estimated at 265 kilos, and an official family budget study in the Salerno region of Southern Italy gave a figure of 280. In the ancient world, where grain was certainly very scarce and costly relative to other foods, average consumption per head was estimated at 210 kilos per head per year Professor Michell quotes an estimate of 175 kilos as a minimum below which life was considered impossible, even for slaves in the ancient world.

It appears, therefore, that we must put the absolute minimum of requirements, including agricultural products other than grain, somewhere between 300 and 350 kilos a head. Turning to Professor Buck's figures for China, we find that the wage worker, who by definition might be expected to be even worse off than the farmer, and who generally has someone besides himself to support, in the poorest districts of China, was paid a wage equivalent to 660 kilos of grain per year. (In the more prosperous rice growing districts to the south, however, the wage was equivalent to 1,300 kilos; the rate of wages for a full year's work in the district in Guatemala quoted, which is paid in grain, is also about 1,300 kilos).

Professor Buck makes possible a rough estimation of the marginal productivity of labour by grouping the farms, in each of his regions, into five size classes. For each of these size classes were recorded the kilos of grain-equivalent produced per man-equivalent of labour input, and also the crop area per man-equivalent. (The phrase "man-equivalent" indicates that the work of women and boys was rated a little below that of men). In the rice area, the number of hectares per man ranged from an average of 0.53 in the smallest size group to 1.25 in the largest. The extraordinary result was that, with these very differing levels of labour input per unit of land, output per unit of land remained practically constant, at about 1800 kilos of grain equivalent per hectare per year over the whole range. In other words, the marginal productivity of labour, when the land is as crowded as this, is zero.

In the wheat area, the results are slightly different, but not very much. In the classes of farms recorded here the average number of hectares per man ranges from 0.7 to 2.0. With increasing labour input per hectare there are slight signs of a rise in yield, but only such as to indicate a marginal productivity of a mere 80 kilos of grain equivalent per man-year. The wage of farm labour, if it is employed, is equivalent to 660 kilos of grain. Clearly such labour will only be employed on the larger holdings. In this wheat area, the average return per hectare is only about 950 kilos of grain equivalent as compared with 1800 for rice.

That the marginal product of labour should actually fall to or near zero under these conditions of overcrowded settlement might at first sight appear to be rather an extreme result. But it is also borne out by some results from Japan. The province of Kagoshima (in the extreme south of Japan) has the sad distinction, as Prof. Murata points out, of having the lowest income per head, and the highest proportion of its population engaged in agriculture, of all Japanese provinces. Making a statistical survey of the results of 30 farms in this province, but omitting the best seven in which the ratio of land to labour was much higher than usual, and mechanical power was use, and statistically analysing the relative contributions of land, labour and all other inputs, he found that the marginal net product of a man-year of 3000 hours was only 192 kilos of grain equivalent (milled rice). Though higher than the Chinese figure, this is exceptionally low, far below the wage which even the poorest labourer would expect. Indeed, it falls short of the man's own expected food consumption. This result does confirm the impression that overcrowding, once it has passed a certain stage, can be, as it were, absolute, and not merely relative.

A rather less depressing result however is obtained from a further detailed analysis of the figures in another densely populated agricultural country, namely Bulgaria. The figures of the agricultural census of 1926 were published in sufficient detail to make analysis possible. Excluding predominantly forest holdings, we have a result classified into groups in which the number of hectares per unit of male labour ranges from 13 to 0.9 (rather lower figures if we include female labour as well). Some very approximate assumptions have to be made about the value of livestock output, but this does not constitute a large proportion of the whole. Over this range, with increasing labour input per hectare, a fairly steady marginal return is found, at the rate of 20,000 leva, or 2700 kilos grain equivalent, per man year. This is almost precisely the same magnitude as the average wage paid to unskilled labourers (65 levas per day). In the smallest holdings, average net income per man was of the same order of magnitude, as might have been expected, as the labourer's wage. But even on these small holdings, the return in grain equivalents per hectare was about 2500 kilos,

higher than on similar holdings in Japan (a little over 2000 kilos) and well above either the rice or the wheat holdings in China. The European seems to understand better the art of making a living on a very small area of land.

Data from which an estimate can be made of the marginal productivity in another low income agricultural area are available for India. In the western regions of the State of Madhya Pradesh, wheat grown with partial irrigation, with labour input per hectare of land ranging from 1000-2000 hours per year, shows a marginal return of 0.88 kilograms per man hour—a return of rather lower order of magnitude than that shown by groundnuts in West Africa. In this case, the marginal return appears to be fairly uniform, and shows no sign of falling off at the higher level of labour input. On similar land, with similar equipment, the growing of sugar cane, either first plantation or ratoon, shows a marginal return of 11 kilos of cane, representing 2.8 kilos of grain-equivalent, at world prices. So there is a strong incentive to divert resources to sugar production, where water is available.

These figures represent the result of cultivation with ox-drawn implements, not hand-cultivation as in Africa.

Rural labour can be obtained in India at a wage corresponding to 4 or 5 kilos of grain per working day, so when it is available, it is generally worthwhile to employ it. But the basic fact about Indian agriculture is that it suffers, in nearly all regions, from a longer dry season even than Africa. The result is an unhappy paradox of serious labour shortage in the wet season and long months of under-occupation in the dry season. Farmers occupying areas of similar climate in Australia are able to keep themselves fully occupied and to make a good living with an economy based on livestock, and large quantities of stored or purchased fodder. It will be some time indeed before such a type of agriculture can be organised in India.

Dr. De Vries has summarized the various levels of agricultural development, and their attributes. Not until agricultural production per head of total population reaches a level of 600 kilos of grain equivalent per year is it possible to set aside pasture land. Domestic animals in most Asian countries, for instance, have to subsist predominantly on straw and agricultural refuse, and their output of both meat and Milk is extremely low; the principal object of keeping them is generally to provide draught animals. These considerations apply 'a fortiori' in India, where it is forbidden to slaughter cattle, who have to be allowed to die a natural death, as a result of which the country carries a large population of cattle in a near-starved condition.

For this reason therefore an output of about 600 marks an important point in our classification. Of the countries below this level Dr. de Vries distinguished a sub-category, lying roughly in the range 500-600, of countries which can produce a surplus of rice for export.

Between 600 and 750 we have a form of agriculture in which livestock can have pasture and possibly some fodder crops, but cereals are still relatively too valuable to be fed to animals. It is not until we have passed the 750 level that we find livestock fed on cereals as a normal part of the agricultural routine. Generally speaking, this state of affairs prevails only in Europe, North and South America and Australia.

Against this background we can finally review the possibilities of increasing general agricultural productivity.

One of the most striking ways in which agricultural productivity can be improved in a poor and densely populated tropical country is by the use of "capital" in the truly classic sense of that word, i.e. products involving "waiting". The results which follow are calculated from information supplied by the Department of Agriculture in Ceylon, except for the conversion of other commodities into grain (rice) equivalents which is effected at 1953 world prices. They are not claimed as anything more than very rough orders of magnitude, but they are nevertheless striking.

With an amount of land of only about 0.4 hectares per man engaged, land can be planted to tea, yielding 1870 kilos of grain equivalent per man engaged, or over 600 kilos per head of the total rural population. The capital investment required is equivalent to about 5½ years gross output. At about 0.8 hectares per man, and a capital investment of 7½ years gross output, land can be planted to rubber, where returns per man however are less than with tea. With coconut, one man can look after 4 hectares; the capital investment is 6½ years gross output, and the return over 3000 kilos of rice equivalent per man, or over 1000 per head.

These capital-output ratios are high. In fact, the growing of these tropical plantation crops includes some of the most capital-intensive processes in the world. The cultivation of these products has made Ceylon and Malaya much wealthier than the neighbouring Asian countries. The necessary condition for successfully following this form of development is, to put it bluntly, to have a government which respects property rights. Property in such plantations is sometimes owned by foreigners, but much of it is indigenous. If such property is expropriated, or taxed excessively, these more productive forms of agriculture quickly disappear and the country slips backwards towards low-productivity subsistence agriculture.

Countries lacking abundant reserves of land however must try to increase productivity on existing acreage.

Dr. Bennet, with the boldness and vision which we can expect of him, has prepared a comparative table of wheat yields in England since the fourteenth century. After providing for seed, net return in bushels per acre, which is now about 40, stood at only 5½ in the fourteenth century, and rose at the rate of only about one per unit per century until the middle of the seventeenth century. By this time all the vacant cultivable land was occupied, and the process of improvement of yields through better cultivation and better manuring was accelerated—chemical fertilizers, of course still being hundreds of years in the future. By 1750 the net yield had risen to 12½ bushels per acre; but it was in the late eighteenth century, when population pressure definitely became serious, that the process of agricultural improvement was really accelerated, and the figure rose to over 20. (Just at the time when Malthus was asserting that such increase in agricultural productivity was bound to be slow). During the nineteenth and twentieth centuries a fairly steady increase has been continued.

In more recent times, of course, we have had in chemical fertilizers a potent instrument of improvement. The general conclusion from a large number of measurements throughout the world is that the application of one tone of ammonium sulphate (i.e. one-fifth of a ton of nitrogen element) on land previously un-fertilized, may be expected to give an increase in yields of three tons per annum of wheat, or 3.3 tons per annum of barley.

At present-day prices, these marginal returns are far higher than the cost of the ammonium sulphate, even after allowing for the cost of distributing it. (It will be remembered that this information refers to land hitherto unfertilised; where a considerable amount of fertiliser is normally used in any case, the marginal return is much lower). One might expect therefore a keen demand for fertiliser in all low productivity agricultural areas, as soon as its properties become known, and supplies are available. Even lack of transport will not check its use. In some cases, there have been records of Africans purchasing fertiliser which has had to be carried from the railway by head porters.

These results apply, perhaps in lesser degree, with other fertilisers.

Application to sugar cane may be more striking still. Mr. Shastri's results in India show that a ton of ammonium sulphate, at the margin, may produce an additional output of 23 tons of cane, i.e. 3 tons of sugar, which is the economic equivalent of 6 tons of wheat.

It is the application of ammonium sulphate, together with the breeding of better strains, which has been largely responsible for the improvement in Japanese agriculture. The principal crop, rice, yielded 1.6 tons of milled rice (4) per hectare in the 1880's, rising to 2.7 in 1935-39 and 3.5 now. Taking the productivity of Japanese agriculture as a whole, and converting all other products to grain equivalents by means of the FAO coefficients, we obtain the following table.

PRODUCTIVITY OF RURAL LABOUR IN JAPAN*

	Production in equivalents of millions of metric tons grain: Agriculture	Fishing	Combined	Male labour in agriculture and fishing (m)	Product per man (Ton grain equivalent)
1895-09 ..	13.89	1.82	15.71	10.0	1.57
1905-09 ..	16.97	2.45	19.42	9.6	2.02
1910-14 ..	19.22	4.52	23.74	9.35	2.54
1915-19 ..	21.75	6.75	28.50	8.8	3.24
1920-24 ..	22.26	10.15	32.41	8.5	3.82
1925-27 ..	23.99	13.50	37.49	8.4	4.46
1934-38 ..	26.50	14.50	41.30	7.7	5.36
1953-55 ..	31.53	16.15	47.68	8.9	5.36

* These results conform fairly closely ($R^2 = .89$) to a model based on the assumptions that the marginal return to labour is one-third of the average, and that the productivity of a given labour force rises at the rate of 1 per cent per year. (I am indebted to Mr. G. T. Jones for this result).

Growth in product per man was rapid while the labour force was being reduced. Since the war, and the temporary reduction of opportunities for industrial employment, the necessity for Japanese agriculture and fishing to re-absorb considerable amounts of labour have had the effect of checking the normal rate of growth of productivity. These results all seem to point to the hypothesis of a marginal productivity of labour extremely low in relation to the average, thereby making it possible to secure a large rise in average product per man, merely by removing some of the marginal labour; and at the same time an upward trend through time in the productivity of a given labour force. If this is so we have every reason to expect that the upward trend in productivity per man will be resumed when the surplus labour has again been removed from agriculture.

Bittermann's very interesting study of the increase in productivity in Germany since 1800 shows no great change in the first half of the 19th century, but from 1850-1950 the yield per hectare of wheat rose from 1.2 to 2.7 tons, of potatoes from 8 to 22 tons. Equally striking are Herr Bittermann's figures for increases in livestock productivity, which are generally more difficult to obtain than crop productivity. The number of animals available for slaughter, from a given livestock population, increased by 50 per cent in the case of cattle and pigs and doubled in the case of sheep, and the average weight of meat per animal slaughtered doubled for cattle and pigs and rose 60 per cent for sheep. For these reasons, from a given livestock population, a much greater output of meat per annum was obtained. For each cow, only 860 kilos of milk per year were obtained in 1800, rising to 1150 by 1861, and 2500 by 1935-38.

It remains to be said, rather abruptly, but summarising a great deal of information which there is no space to deal with here, that any country with a reasonably developed system of marketing and transport, and with a rural population adequately informed about agricultural improvements which might be expected to be within their reach, and which does not have to keep engaged in agriculture marginal labour of extremely low productivity, but is able to find other employment for it, should then be able to expect real product per man year to be expanded at the rate of 1 or 2 per cent per annum. In the more advanced countries, where greatly increased quantities of fertilisers, equipment and other industrial inputs are used, the rate of increase in gross productivity may rise to 3 or 4 per cent per annum (out of which higher figure the industrial inputs have to be paid for).

Sponsored Growth: A Challenge to Democracy

By W. ARTHUR LEWIS

THE theme of this article is the reconciliation of rapid economic growth with human freedom and dignity. By "rapid" I mean economic growth exceeding an annual rate of growth of output per head of 2 per cent. Two per cent is just over the rate achieved by the U.S.A. over the past seventy years; nearly twice the rate achieved in Western Europe; but substantially less than was achieved by Japan in the same period, or by the U.S.S.R. since 1929.

Two per cent is not a difficult rate to maintain once it has been achieved, and after an interval in which institutions, habits, ideals and the distribution of income have adjusted themselves to this rate of growth. The difficult ground is the adjustments which have to be made as a country shifts from stagnation or slow growth towards two per cent per head per annum. These adjustments are painful whether the drive towards growth is coming from the energies of private capitalists or from the aspirations of statesmen and administrators.

I nominate two per cent because I think the strains involved in getting to this rate are bearable, even though they are severe. Others would prefer higher rates, of three and four per cent. They are impressed by the achievements of the U.S.S.R., which they expect to be duplicated in China, and they fear that the peoples of Asia and of Africa may be attracted into the Communist orbit unless their countries attain similar rates of growth within a democratic framework. I am not impressed by this argument; provided these countries have reasonable success in raising their own levels of

living, there is no reason to expect their peoples to keep peeping over the wall to see what is happening in the Communist world — any more than the peoples of Western Europe have been disconcerted by the faster pace of the U.S.A. It is a serious question, for military reasons, how far Western Europe and North America can afford to lag behind Communist rates of growth; but in Asia and in Africa Communism challenges people not to a race but merely to a rate of movement adequate to their own needs.

At one extreme one may take the position that the main task of the government in a poor country is to clear the decks for private initiative. This solution, even assuming that it achieved my postulated two per cent, does not avoid the problems with which this article is concerned. Growth menaces accepted beliefs, habits and institutions equally whether it be due to private or public sponsorship. It also menaces democracy. In Western Europe the rising bourgeoisie were the champions of democracy, but there is no necessary association between democracy and the capitalist role. There is no assurance that democracy will be safer in Asia or in Africa if economic growth is sponsored mainly by private capitalists than if it is sponsored mainly by government agencies. The other extreme equally provides no escape. With the record of the Communist countries before us it is not necessary to demonstrate that democracy is not necessarily strengthened by concentrating all initiatives in the hands of public officials. Most balanced thinkers desire that mixture of private and public initiatives which will secure adequate economic growth with minimum strain. This is also the position of most of the Asian and African governments which are now planning to accelerate economic growth.

When the government of a poor country decides to try to accelerate economic growth, it needs to adopt measures of four kinds (1) changing institutions and habits, (2) providing new services and commodities, (3) controlling private activities, and (4) mobilising finance for development.

(1) **Institutions.** — Many habits, deals and institutions need to be transformed as a people moves from relative stagnation to rapid growth, and however, reluctant a government may be to interfere with traditions, its leaders inevitably find themselves having to give leadership on numerous issues with which governments in advanced countries may not concern themselves. Almost inevitably the government will be seeking to move somewhat in advance of public opinion, and it may therefore be tempted either to secure a monopoly of opinion, by controlling the press, radio, pulpit, and other media of communication, or to prevent public opinion from frustrating government objectives, by eliminating from Parliament those who hold contrary opinions.

How deeply does the government need to plunge into these spheres? This depends partly on how much change has already occurred. Also one must distinguish between actions which offend a powerful minority, and actions which arouse widespread dislike. A powerful minority will be offended by actions reforming land tenure, or abolishing slavery, but a popularly based government can take such measures in its stride. There may be wider opposition to measures promoting birth control or improving the status of women, or releasing the bonds of caste, or altering the laws of inheritance; and here progress may be relatively slow. Fortunately, much economic growth is possible even within the limits of archaic institutions, and one may concentrate on measures which do not arouse opposition, confident that in due course growth itself will undermine that which is no longer appropriate.

(2) **Expanding the Public Sector** — Next there is an enormous increase in the range of government operations. To begin with, adequate public services are a prerequisite of growth, so expenditures on schools, on public health, on research, on agricultural extension, on roads, and so forth, need to be increased greatly. In an article in the Manchester School (September 1956) I have shown that current expenditure on public services (i.e. excluding capital expenditure) needs to be about 11 or 12 per cent of gross national income, excluding expenditure on defence, on public debt, on social insurance and on agricultural subsidies. In many poor countries (for example India) such expenditure is now 7 per cent or less, and so there is a great deficiency in this area as there is in capital formation.

Apart from the public services, there is also considerable deficiency of public utilities — harbours, railways, electricity, urban water supplies, irrigation, telecommunications, etc.—and these are equally a prerequisite of growth. On the whole they are services which need to develop in advance of demand, because their existence creates much of the demand to which they cater; hence losses or subsidies are frequently required for a long period of development. Finally there is the initiation of productive units in manufacturing in agriculture, in mining and in other sectors. The important role of the Japanese government in initiating manufacturing industries is widely known, and will be widely copied.

(3) **Controlling the Private Sector.** — Apart from operating enterprises itself, the government has in some cases to control the use of resources by private persons. It may have a plan which requires the expansion of one industry at the expense of another, or the curtailment of imports, or the expansion of exports, or use of land for one purpose rather than another, or some other use of resources which is not in accordance with the free choice of the market. Most governments meet this situation first with persuasion; speeches are made asking people to use their labour or other resources in ways which involve personal loss. These appeals are unsuccessful, or if initially successful, lose their power with repetition. Next the government is tempted to resort to some form of licensing, or other prohibition. This is felt by the public to be an imposition and a nuisance, and even in the most law abiding communities it gives rise to black markets and other violations, as well as to some feeling of resentment and of frustration.

For a short period after the second world war it was fashionable to assert that economic planning could not succeed without this kind of licensing, but this fashion is now outmoded. It is more widely recognised that, as an alternative form of planning, the government can make it profitable for private individuals to do what it wishes them to do by manipulating prices, taxes or subsidies. There has been more criticism of the methods used to control the private use of resources than of the principle of control, because of the obvious disadvantage both of persuasion and of licensing — ineffectiveness, black markets, corruption, public resentment, etc. However, whatever the method, the principle of control involves dangers. It is based upon the assumption that the government knows best; it gives scope for improper influences upon government decisions; and it tempts the government to suppress criticism of its decisions. This is one reason for wishing to keep government control down to a minimum of strategic decisions; but even this minimum may be fairly large if the government is seeking a substantial shift in the use of resources.

(4) **Finance.**—I have referred earlier to the need to increase expenditure on current account on basic public services to 11 or 12 per cent of gross national income, and to the fact that several governments are

as much as 5 per cent below this level. The deficit in capital formation is of the same order of magnitude. Capital is required not so much for manufacturing, for agriculture and for mining (which even in advanced countries accounts only for about 30 per cent of capital formation) but rather for public services and public utilities (about 35 per cent) and for housing (about 25 per cent. Since productivity grows most rapidly in manufacturing, in agriculture and in mining, whereas the major capital requirements are in public services, public utilities and housing, it is not feasible to relate capital requirements directly to the desired rate of growth. The best one can say is that if housing is not to be neglected, and if public utilities are to provide adequate service, poor countries need to invest 15 to 20 per cent of national income gross; whereas very few poor countries are now investing more than 10 per cent gross.

Obviously the first resource is to encourage the public to save more, and to make its savings available for investment, rather than hoarding savings in gold or jewellery. There is now a network of post office savings banks, co-operative credit unions, and other agencies with this objective. Japan reports good success in stimulating small savings. In other countries, however, small savings constitute only a small percentage of national income. In most advanced countries the major part of saving originates in profits, distributed or undistributed, since for one reason or another profit makers have the highest propensity to save. It follows also that, since profits are only a small part of national income in most poor countries (except the few which have large mineral industries such as oil or copper) voluntary savings cannot be expected to produce the 10 to 12 per cent net which development requires.

The next resource is external finance. Up to 1929 it was possible for governments of poor countries to borrow in the private capital markets of London, Paris, New York and other great centres. This is no longer so. Wall Street will not handle foreign government bonds, except in two or three special cases. London and Paris are open to colonial borrowers, on a restricted basis, but not to foreign independent nations. For the most part, therefore, governments are restricted to what they can raise from the World Bank or from the Export-Import Bank, both of which handle only restricted types of finance.

It follows that in most of the poorer countries an adequate level of investment is impossible if reliance has to be placed exclusively upon voluntary and foreign investment. Some form of compulsory savings is essential. It is hardly necessary to point out that compulsory saving is not, of itself, undemocratic, any more than compulsory military service is undemocratic. There is nothing in the principles of democracy which says that the ratio of investment should be dependent upon the distribution of income, or more particularly upon the level of profits, which is the chief source of voluntary saving. The rate of investment is just as appropriately a matter for collective decision as is the size of the armed forces, or the amount to be spent on education or on public health. The best form of compulsory saving is taxation. Inflation is an alternative form, but except in restricted and occasional doses, its disadvantages are great when compared with the disadvantages of taxation. Some creation of money is possible without inflation because the demand for money increases with economic development. Neither is it possible to escape all signs of inflation, since history shows that all periods during which the ratio of investment to national income is increasing are periods of rising prices. The trouble is that it is difficult for inexperienced governments to keep inflations small and short; and if inflation gets out of hand its disadvantages are very great when compared with the disadvantages of taxation.

I am convinced that the governments of poor countries could raise nearly all the funds needed for development by taxing their peoples more heavily, and that the increased burden of taxation is not beyond what these countries can bear. I think that the richer countries have a moral duty to lend a hand, but the poorer countries need not wait for this. Several are progressing in the right direction. My conclusion is that economic development calls in the first instance for higher levels of taxation. This is not a popular conclusion. Many governments which do not lack the courage to attack deep religious convictions, to nationalise a wide range of industries, or to license and control private operations, falter when it comes to taxing their people adequately. If communist or other totalitarian regimes have an advantage over democratic regimes in promoting growth, this is where it is most likely to be revealed.

Accelerating economic growth thus involves a great increase in the role of the government in economic life. This has many dangers, the chief of which may be listed as follows: (a) **Inefficiency. — The public service swells rapidly.** The demand for skilled people exceeds the supply, so much dilution occurs. This is inevitable whether the acceleration is sponsored by public agencies or by private enterprise. This disadvantage can be exaggerated. Sometimes it is better that a job be not done at all rather than that it be done inefficiently (e.g. a brain operation); but in many other cases it is better that a job be done inefficiently than that it be not done at all (e g. amputating a dangerously infected limb). The real remedy is to multiply skills as rapidly as is feasible, and in the meantime to welcome imported skills. (b) **Corruption.** — The more the government does, the greater the opportunities for corruption. Here again the disadvantage can be exaggerated. Much petty corruption is due to failure to remunerate public servants adequately — whether civil servants or politicians. Moreover the existence of corruption is seldom a major hindrance to economic activities. The remedy is to remunerate public servants adequately, and the public will resent corruption and begin to stamp it out. (d) **Strangling private initiative.**— Governments cannot and should not do everything. Their function is to make it easier for the citizen to conduct his legitimate affairs. This problem is sometimes due to an ideological hostility of politicians towards private enterprise; they are not content to lay down the spheres where private business is permitted, and those where it is not permitted, but they deliberately harass private activity even in the sectors which the government has left open to it. This is a relic of a nineteenth century view of socialism, which is now disappearing. (d) **Dictatorship.** — The really serious danger is that a government may seek refuge in dictatorship, so that it may force its people to adopt policies for which they are not prepared. For example, they can be forced into collective farms, labour can be conscripted for useful public works. Taxation can be pitched at high levels. Capital formation can be pushed exorbitantly at the expense of consumption. Trade unions can be destroyed, or rendered innocuous. Farmers can be forced to adopt better cultivation practices. I believe that a dictatorship can increase output faster than a democracy, because democracies value many institutions which are obstacles to rapid growth. Since I value democracy more than material output, I do not think that countries should develop more rapidly than is feasible within the democratic framework.

A democratic government is more likely to succeed in carrying its people with it towards accelerated growth if it abides by the following rules than if it does not.

(i) It should always explain what it is trying to do, by means which reach even the remotest villages. (ii) The villagers should have a sense of participation, both in making plans and in enjoying their fruits. The "Five-Year Plan" is too often a document drafted in the capital city. There should be as much decentralisation of planning as is feasible. This in turn requires that units of provincial and of local government should be strengthened. Weakness of provincial and local administrations in relation to the centre is a defect of nearly every poor country. (iii) A big place should be given to community development schemes, which permit the villagers to choose for themselves the projects which they will support with voluntary labour or with taxes, subject to assistance from the centre. (iv) Plans should provide for increases in consumption, so that the people may see as soon as possible the fruits of their labour. Steel works and other capital goods industries are important, but so also are houses, proteins and hospitals. (v) Trade unions should be wooed, rather than fought. If plans provide for an expansion of job opportunities, for increased consumption, for technical training, and for opportunities to rise in the social hierarchy, trade unionists will collaborate willingly in carrying them out. (vi) Justice must be seen to be done. Land tenure must be on a satisfactory basis. The upper and middle classes must be made to bear a fairer share of taxation.

Given a government which genuinely seeks the advancement of the masses of its people, such as some poor countries now have (e.g. India and the Gold Coast, to mention Asian and African examples) I see no reason why growth at the rate of 2 per cent per head per annum should not be attained without infringing democratic principles. Democracy is insecure in poor countries, but this is not mainly because of strains imposed by sponsoring economic growth. It is partly due to the passions which have given birth to new governments in these countries; and partly due to national divisions. Sponsoring economic growth may, on the contrary, prove to be the remedy for both these ailments. It has a wide popular appeal, which transcends differences of race or religion or class. It can be dramatised as a national battle — against hunger, ignorance and disease — and there are daily victories, large and small — the opening of a new school, hospital or irrigation works, or the achievement of new production levels — which can be occasions of national triumph and rejoicing. Sponsoring growth provides temptations to undermine democracy, but it also provides even greater opportunities for men to learn to live peacefully with their neighbours.

International Financing of Export of Machinery to Under-Developed Countries

BY P. N. ROSENSTEIN-RODAN

TWO forms of financing of international trade, the acceptance credit and medium-term credit for machinery and equipment, have become victims of structural changes in international capital markets. The City of London supplied these credits before 1931 and to some extent even up to 1939. It found no successor in the post-war world. Single national attempts at financing such exports are "tied loans" and constitute at best most imperfect substitutes for united loans. Yet the need for financing of exports, especially for medium-term credit for equipment and machinery continues unabated. It is not sufficiently provided for "the other way round" by long-term investment credits given to importing countries. At Bretton Woods two types of financial needs were recognized: the need for secondary reserves, to be supplied by the International Monetary Fund and the need for long-term international investment to be supplied or rather supplemented by the International Bank for Reconstruction and Development. The third type of need for medium-term credit was not even recognized. It is contended that this gap in international finance forms a major obstacle to competition in international trade and leads to a deviation from the international division of labour.

Suppliers of equipment often fail to get the bid even when their offers are fully competitive in respect to prices and periods of delivery. In some cases this is due to buyers' preference of long-run connections, to a fear of being dependent on distant overseas suppliers who in war-time in the future may not be able to supply spare parts or to other rational and irrational factors. In many cases, however, substantially lower offers do not obtain a contract because the higher price offer carries with it an offer of credit for three, four or five years, while the lower price offer requires payment on delivery. Before the war or before 1931 there was no such 'link between the commodity and the credit market'. Goods were bought in the cheapest market and were financed—as a second and independent operation—in the cheapest credit market. Medium-term debentures, medium-term credit and to some extent renewed and prolonged acceptance credit in the City of London provided finance for investment goods in international trade. The cessation of these services means that the "principle of untied loans" is applied in the medium-term credit market even less than in long-term capital movements. In consequence, underdeveloped importing countries are often confronted with a "monopolistic" joint supply of equipment and credit, with an "all or noting" offer, while some efficient, but capital-poor, exporting countries cannot compete if they do not offer credit. Reducing prices alone does not increase their sales; they either have to supply a commodity 'and' credit or they cannot sell at all.

Where capital is scarce its price, i.e. the rate of interest should be higher than in capital-rich countries. This valid principle of the theory of comparative costs only refers to the price of capital insofar as it enters 'production costs'. It does not refer to the cost of capital (credit) insofar as it constitutes 'selling costs'. The link between the commodity and the capital market represents increased selling (not production) costs, and leads to a deviation from the international division of labour.

To reduce, to simplify and to stabilize US tariffs is rightly considered to be one of the important ways of arriving at an International Monetary Equilibrium. If this task were achieved, the United States would probably import $500—$600 million per annum more than at present. This would be an important contribution to the filling of the dollar gap. More important quantitatively than a revision of US tariffs, and easier to realize politically would be a truly untied export of capital from the United States. If the US capital exports amounted to around 1 per cent of its gross national product, say $4 billion per annum, non-US industries (largely Europe) could obtain 20—30 per cent off-shore orders for delivery to underdeveloped countries. Underdeveloped countries would be able to buy more cheaply, while Europe and Japan, if they were competitive, could find additional dollar exports markets for which

it is structurally fitted for $800—$1200 million, i.e. twice as much as from the reduction of American tariffs. In many cases European and Japanese industries are already or may be expected to be competitive, both as far as prices and periods of delivery are concerned. This is not, however, a sufficient guarantee that they will obtain off-shore orders. The link between the commodity and the markets creates imperfect competition in international trade of investment goods and prevents an optimum diffusion of US capital exports. Medium-term credits for financing of exports of investment goods would help to re-establish competition in international trade or at least to reduce its degree of imperfection.

Most European countries have taken measures to provide export credit guarantees. A long list of institutions, regulations and practices in this field is available. Not in all cases, however, can guarantees be extended to credits for three or four years after delivery. Only some countries can anyway afford an extension of such credits for balance of payments and shortage of capital reasons. Even countries with unused industrial capacity cannot expand three, four or five years' export credits which would allow a full utilization of their capacity because exports which would remain unrequited for that length of time would cause balance of payments troubles in the intervening period. There are two obstacles to the expansion of medium-term credit by exporters of machinery and equipment. The first is the country's estimate of the risk, i.e. of the creditworthiness of the importing country. Even if resources for granting of credit were available, the subjective judgment of the risk involved may be against granting or expanding such credits without some form of an international (or foreign) credit insurance arrangement. The second and frequently more important reason is, however, the lack of resources or of foreign exchange to finance for, say, five years unrequited exports. Let us examine more closely this second obstacle: what would be the effect on the balance of payments if an exporting country granted a, say, five years' credit of $100 million for export of machinery?

On a contract of $100 million of machinery, 25—30 per cent are presumably profits which do not absorb scarce resources of the exporting country. Another 20—25 per cent represent direct import—(i.e. foreign exchange) component of the machinery to be delivered. These imported raw materials or parts do not give rise to national income formation in the exporting country. Only 50 per cent of the value of the contract goes directly and indirectly into national wage-payments and income creation. Assuming a multiplier of 2 (it will be mostly somewhat under 2), additional income of $100 million will be created in the exporting country. Assuming a marginal propensity to import of say 30 per cent (in most cases short of overfull employment it will be less), there will be in the exporting country an additional demand for imports (or partly a fall in exports) of $30 million. Adding to these $30 million of "indirect additional demand for imports" the $20 million of the "direct" import component of exported machinery, the total effect of unrequited exports of $100 million on the balance of payments of the exporting country is likely not to exceed $50 million. In other words, the impact on the balance of payments of an extension of credit for exports is only equal to a part, say 40-50 per cent of the amount of credit. If this part, say 50 per cent, were provided for the exporting country through additional capital sources, for instance by discounting about 50 per cent of the export credit, a credit expansion under conditions of some unused industrial capacity would not cause any inflationary effects; it would then become possible.

It is proposed to create an International Re-discount Institute which would discount in dollars bills or promissory notes up to five years for exports of machinery and equipment goods to underdeveloped countries. Promissory notes would be re-discounted only to the extent of 50 per cent of their amount. National credit sources in the exporting countries would have to provide net 50 per cent of credit in order to obtain a 50 per cent dollar addition to their resources. Under circumstances only credits for the second, third, fourth or fifth year should be eligible for re-discount, while the first year's credit should also be considered to be the exclusive responsibility of national capital markets.

The International Re-discount Institute would operate on the principle of automaticity and anonymity like the acceptance market of the pre-1914 days. Any bill carrying two acceptable signatures of the importing and of the exporting country (for instance the signature of Finance Minister or Central Bank or any State-guaranteed export credit institution of the exporting country) resulting from export credits up to five years of machinery or equipment to under-developed countries can be re-discounted for up to 50 per cent of its value. No "project analysis" revealing trade secrets and causing loss of time, irritation and cumbersome bureaucratic procedures would be attempted. All that is involved is that the exporting country should assume the risk of granting-credit.

If, say, $300-$400 million were invested in such an International Re-discount Institute by the International Bank for Reconstruction and Development, the International Monetary Fund and/or American Foreign Aid Funds, Private U.S. and Swiss banks would probably be willing to contribute at least equal amounts. The Institute would thus effectively mobilize substantial additional private capital for productive and remuncrative use and provide at the same time a solution of an urgent problem in international trade.

Two objections are frequently raised against any expansion of medium-term export credits for machinery and equipment to under-developed countries: (1) Is it not better to finance imports by underdeveloped countries rather than finance exports? Long-and medium-term credits could then be grouped on the basis of an overall assessment of the development programme and of the creditworthiness of the importing country. The argument would be valid if an International Development Authority were in existence which could provide a volume of loans sufficient to provide additional capital for each underdeveloped country up to the limits of her absorptive capacity and her capacity to repay. Under present conditions the argument is not valid and is an example of non-functional perfectionism opposing a possible "good" for the sake of a, as yet impossible, 'better' The only institution which applies the principle of united loans is the International Bank for Reconstruction and Development. Its volume of lending is not sufficient to provide for all the needed imports of machinery and equipment by underdeveloped countries. All other credits are usually "tied". Untied lending would make it possible that in all public tenders and possibly in all private purchases of equipment the bids should go to the lowest price offer. Medium-term re-discount credit available to exporters would solve this problem more smoothly, more simply and automatically. (2) An expansion of medium-term credit would facilitate construction of unsound projects, lead to excessive indebtedness of underdeveloped countries and impair their long-term creditworthiness. Any credit and banking system involves risks, yet hardly anybody would seriously maintain that it would be better "not to have anything to do with banks". Technical assistance and co-operation in development programming are the way to prevent investment in unsound projects rather than the maintenance of imper-

fect medium-term credit markets. The link between the commodity and the credit market raises prices of equipment by making credit availability more arbitrary and more expensive. This may make many projects "poorer" than they need be and may also lead to selection of poorer projects because credit for them is available at the expense of sounder projects for which credit is not available. To "untie" international medium-term credit means to make the credit market less imperfect. This would probably increase the volume of lending and certainly improve its composition. Both effects are desirable.

There are several benefits which would flow from the International Re-discount Institute. It would enable underdeveloped countries to avail themselves of the opportunity of buying in the cheapest markets, without foregoing medium-term credit. It would reduce the handicap of countries which are poor in capital yet competitive in their export industry. It would thus reduce the handicap of Europe and Japan as against the United States.

Far from interfering with legitimate business of existing private and national credit institutions, it would effectively widen their scope by offering re-discount facilities. It would provide a basis for extending the volume of transactions rather than substituting one source of finance for another. Besides offering inducements to existing national credit institutions, it would also mobilize additional private capital of American and Swiss banks who would probably be able and eager to participate in or lend to the Institute. The Institute could have some additional guarantees from importing countries (for instance, a transfer guarantee) which no single private discount institute could obtain. It could also systematize conditions of granting export credits.

Only when an international medium-term credit market for exports of investment goods is established, shall we be able to say that if an industry cannot obtain orders, then it must be due to its not being competitive. Today such a statement need not correspond to the truth. The filling of the gap in international finance would benefit the underdeveloped countries as well as capital-poor industrial countries. It would be an important improvement in the international division of labour.

Capital-Output Ratios in Economic Development

By KURT MARTIN

HOW much capital must a country save or borrow abroad for domestic investment in order to attain a certain rate of economic growth? This is the question one wants to answer if one enquires into capital-output ratios and tries to measure them. On the face of it, the question should be easy to answer. There is plenty of statistical material giving information for various countries about the amount of investment undertaken over a certain period and about the growth in production that was associated with it or followed it a year or two later. Table A contains such information for a recent period. We have taken a number of countries in various stages of development and in order to obtain our coefficient have related the domestic capital formation during the years 1950-54 to the growth in production between 1951 and 1955; for some countries we had to a slightly different period.

The evidence for what it is worth, can be summed up very briefly:

(a) If investment net of depreciation is taken as the measure of the growth of capital—that is, of increase in capacity other than those that may result from mere replacement through improved designs—and if therefore the (marginal) capital-output ratios computed on a net basis are reported as the important ones, it appears that there was little or no correlation in that period between the size of these coefficients and either the level of development attained in the various countries or the rate of income growth achieved by them. The USA, UK, Germany, France, Italy, Greece, India, Burma, Ceylon and Latin American countries all had practically the same capital-output ratios, ranging between 2 and 2.5. Although there are some countries for which we get different values, the evidence (if one accepts it) suggests that if a country now-a-days invests about 12 per cent of its national income (net), production will probably rise by about 5 per cent.

(b) If gross investment is brought in, the picture is somewhat different. Although the amount of net investment per unit of additional output was as a rule very similar for poor and rich countries, the low income countries and the countries with high growth rates almost invariably had lower gross coefficients: they needed less investment for a given increase in production, if one wants to forget about depreciation costs (as usually conceived) and treat them as a mere accounting matter.

TWO CASE STUDIES

To show how differences in initial conditions and in policy objectives may affect capital-output ratios we will take two case studies: the Indian and the Italian Development Programme. They do give us the actual outcome but may tell us something about the factors that can be decisive for the outcome. The Italian programme aims at an annual average increase in income of 5 per cent over a period of ten years (1955-1964); investment in new fixed capital is to be at the rate of 18 per cent of income on the average of the period which implies a marginal capital coefficient of 3.6 when computed on a synchronous basis. Considering monetized fixed investment only, the corresponding capital-output ratio for India under the second Plan is 2.1 for a growth-rate of output of 4.5 per cent over five years. (The Indian ratio would be about 2.5 if we included inventory accumulation and allowed about 1 per cent of income for the non-monetary investment of the peasants as we did in Table A). Now how does this wide difference between the two capital coefficients—3.6 as against 2.1—arise in these estimates?

For an explanation one might look first into the composition of investment. In the present case the main difference in the composition of investment between the two programmes is that whereas Italy intends to spend about 22 per cent of total fixed investment on housing, the Indian proportion is only 12 or 13 per cent (the precise figure is difficult to establish); India also spends somewhat less, proportionately, on miscellaneous services; what she saves on housing and services goes into higher allocations to Public Utilities and Public Works (about 35 per cent of fixed investment instead of 31 per cent in Italy), to Mining and Industry (25 per cent instead of 21 per cent) and to Agriculture (18 per cent instead of 14 per cent). Since the housing proportion accounts for most of the difference in the composition of investment, one ought to assess its separate importance as a determinant of the aggregate capital-output ratio. Suppose India doubled her expenditure on house building, with an equivalent increase

in total investment. The share of housing would then be about the same as in Italy, and if we treat housing as a welfare item that does not produce an additional income, the capital coefficient for India would work out at 2.4 (or perhaps a little higher, allowing for ancillary investments). The figure is still far below the Italian coefficient.

CHARACTER OF AGRICULTURE

Since housing accounts for most of the difference in the sector distribution of investment but only for a small part of the difference between the two capital-output ratios, the composition of investment cannot give us the explanation we are looking for. The main explanation actually lies in the character of agriculture. If for an increment of output India had to invest in agriculture as much as Italy, the aggregate capital coefficient on the basis of the present distribution of investment would be about 3 instead of 2. As it is, India has an agriculture of the kind that can be improved with very little capital expenditure: the marginal capital-output ratio in agriculture is only about 1:1 (for monetized investment only) as against 6:1 in Italy. The figures from which these estimates are derived may not be strictly comparable but the difference is certainly very large. In India over a third of the expected increase in income still comes from agriculture although its share in total output is declining. The demand for food has a relatively high expenditure elasticity—about .8 for all food items together—but for the time being this demand can be met at a small capital cost; the effect of this is to keep the aggregate capital-output ratio low compared with a country such as Italy where the rise in personal income comes as well as balance of payments postulates also make fairly heavy claims on agriculture but where the capital cost of expanding farm output is much higher: the best and most easily accessible land is already in intensive cultivation so that the further expansion of agriculture demands costly investments in land improvements.

As to Industry, one would expect differences in the degree of mechanisation and hence in capital-output ratios when comparing countries where conditions of relative factor supply are different. But a comparison between India and Italy does not throw much light on this. We merely note in passing that the estimated capital coefficients for new industrial investment (including handicrafts) are very similar in the two countries: they lie in the range between 1.5 and 2. Yet India's factory investments are actually capital-heavier on balance; with her good ore and fuel resources India is mainly building up industries which for inescapable technical reasons have high capital-output ratios. What makes up for this (apart from excess capacity) is investment in village industries where direct capital requirements still appear to be below unity. Thus in the production of particular commodities the choice of technique is actually exercised in favour of labour-intensive methods as a matter of state policy; the resulting combination of quite different technical forms of production is a typical feature of under-developed countries where handicraft system exists.

The general tendency, however, is for the large-scale and capital-using industries to increase in importance in developing countries. Where new industries are set-up—and we are now no longer confining ourselves to India and the comparison with Italy—they use as a rule the technologies applied in the advanced countries. Very often there is no choice; in other cases the labour saving which these technologies afford is so substantial that even semi-mechanised processes cannot hold their own reasonably competitive markets. This of course, entirely depends on the cost of labour in relation to machine work; and where labour is really cheap, it may not pay to mechanise operations in which machines merely substitute for numbers employed. The capital-labour ratio is generally lower in the underdeveloped countries (for the same type of operation or industry) but the capital-output ratio is often the same if one takes all operations together; separately they may represent quite different techniques. Broadly speaking, the more lavish use of man-power makes up for initial deficiencies or disadvantages. This seems to be the general picture but no doubt there are many variations.

CHANGES OVER TIME

So far we have mainly considered differences between countries and we must now bring in changes over time. Up to a point we are on safe ground here. It is self-evident that when a simple economy where capital goods play a minor role is transformed into a more modern one the average ratio of capital to output will rise; it will be driven up by the fact that additions to output are costlier in terms of capital expenditure than the old handicraft output. Some of the changes which bring this about can be looked at as results of development (e.g. consumer demand falling more heavily on capital-intensive goods as personal incomes rise in poor countries) while others may be treated as casual or independent, e.g. the increasing use of inanimate energy per unit of output. But whether it is for the one reason or the other, the fact remains that during this transformation the importance of capital as an input increases. Where marginal coefficients are now around 2.5 in under-developed countries, it is clear that the average ratio of capital to output is actually moving up from its handicraft base, and there is evidence also that even at the margin capital coefficients are rising in some of these countries. The main rise in the capital-output ratio probably occurs as a network of public utilities and public works is being created large enough to give more widespread productivity increases. These are the most expensive investments: the public utilities may have capital-output ratios up to six or seven times the national average, and they always absorb a substantial part of the investment resources. Thus in order to form an opinion on the question we raised, one might try to find out—but this could only be done country by country—whether the expansion programmes already in hand in the utility field might bring the distribution of the capital stock in line with expected demands or whether still further shifts into these expensive assets are likely to be needed to support that growth rate that is considered desirable.

SCOPE FOR TECHNICAL PROGRESS

In a country where only very small quantities of capital equipment are in use, the scope for technical progress through the provision of power and the mechanisation of processes is always large, and these are forms of technical change which generally tend to raise the capital-output ratio. It is only when the major items of capital are in place and scale factors begin to tell that economies in the use of capital come into their own and may gain the upper hand. Capital saving improvements do of course, occur all the time as part of the process of economic growth. By this we do not mean measures such as using existing equipment closer to full capacity or buying second-hand equipment, or building temporary structures (postponing their replacement by more durable assets until later), and so on; all these are adjustments that make economic development less burdensome for a while but they are not "progress". We mean, among other things, the training of labour and managements which represents a lasting form of capital saving improvement in that it increases the output obtained from equipment at any given level of mechanisation. It is a function partly of time and experience, and partly of the amount

of money spent on it. More specifically, we mean improvements in the production of investment goods making them cheaper in terms of other commodities (not only in terms of labour). Any such progress in the investment sector, even if it should be capital-using at the particular point where the improvement is introduced, will tend to lower the capital-output ratio for the economy as a whole, in the sense that a smaller part of resources (valued at current prices) needs to be invested for a given increase in the quantum of capital and the real national income as the resources employed in the investment sector become relatively more efficient.

In current discussions the question is always raised whether aggregate capital-output ratios in underdeveloped countries are higher or lower at the margin than in the advanced countries. Referring back to our table, one could answer that there is no difference —or at any rate there was no clear difference in a recent period—between the capital requirements (per unit increase in output) of poor and rich countries. What a similar table will show in, say, 15 years' time, we do not know. Capital-output ratios in the advanced countries declined over the last thirty years or so, but one cannot extend this trend mechanically into the future; recent indications actually point to a rise. The question is usually put differently, however. The economic development of the now advanced countries was associated in the late 19th century with capital-output ratios steadily rising to a level of 3.5 or even 4. Will economic growth in poor countries entail a rise to a similar level or has development become cheaper in capital than it was half a century or more ago?

TWO REASONS

There are two main reasons for expecting that the capital cost of development may be lower in present-day conditions, or will not rise as far as it did in the past, except in countries which are very poor in natural resources. The one reason is that the developing countries have the benefit of the capital-saving progress—the increase in knowledge—that has occurred in the meantime. This is most obvious—or at any rate, most relevant—in agriculture but it equally applies to industry where the efficiency and serviceability of capital goods has been increasing and is increasing all the time relatively to their cost. The second reason is that population is increasing faster in these countries —or accumulated labour reserves are larger—than in 19th century Western Europe. One generally expects relatively high rates of output growth for a given amount of accumulation when the increase in capital is associated with a relatively large increase in labour. The argument applies both to the way capital is used (with or without more labour) and to the cost of constructing it, particularly in the field of building. The argument is particularly strong where at the same time the productivity of agriculture can be raised at a relatively small capital cost which makes the recruiting of labour for construction work and its tooling up for industrial work easier and less expensive. Where conditions in agriculture are different—as they often are—this argument loses much of its force or breaks down.

There is also the point that a high rate of population growth or of recruitment of labour from rural areas may necessitate high housing and urbanisation costs. Investment in housing is always difficult to deal with because standards are so different in different areas. But on the whole developing countries should have the advantage of the progress in low cost housing techniques (compared with fifty years ago) although this may not be very significant. And in so far as industrial techniques now-a-days demand more capital per employed worker (but not per unit of output), the ratio of urbanisation cost to output is reduced as fewer workers are brought into the industrial labour force for a given increase in output. It is mainly on the strength of the first reason however—the increase in knowledge—that we would not expect capital requirements for economic growth to rise to the 19th century level. But since one of the points of this paper was that serious estimates can only be made on the basis of country studies, not too much importance should be attached to this guess.

TABLE A.

AGGREGATE MARGINAL CAPITAL-OUTPUT RATIOS
(1950-1955)

Countries	Growth rate of Output %	Gross Investment Growth of Output		Net Investment Growth of Output	
		Fixed Investment	Total Investment	Fixed Investment	Total Investment
	(1)	(2)	(3)	(4)	(5)
USA	3.9 (3.7)	3.7	4.0	1.8 (2.0)	2.1 (2.3)
Sweden	3.0	6.3	6.5	3.3	3.5
UK	3.3	4.6	4.75	2.1	2.3
France	4.2	(3.3)	(3.7)	1.8	2.1
Germany (1952-55)	9.0	2.2	2.7	1.6	2.0
Netherlands	4.0	5.0	5.7	2.8	3.5
Italy	5.7	3.3	3.5	2.0	2.2
All Latin-America	4.3	3.8	4.0	2.5	2.7
Argentina	2.0	10.8	11.0	..	..
Brazil	5.3	2.8	3.0	..	..
Mexico	4.8	..	2.7	..	..
Japan (1951-54)	5.4	3.7	5.0	2.5	3.8
Greece	6.0	2.3	2.7	1.8	2.1
Yugoslavia	7.3	(3.9)	..	..	..
Ceylon (1950-54)	4.2	..	2.8	..	(2.4)
India	3.5	..	(2.8)	..	2.1
Burma (1952-55)	6.0	2.8	3.3	1.9	2.3

NOTES TO TABLE A.

The countries are listed roughly in order of income per head. The marginal capital-output ratios are calculated as the ratios of domestic capital formation during the years 1950-54 to the growth of output between 1951 and 1955; for some countries a shorter period was chosen. The terms of trade effects are eliminated only from the Latin-American figures, but during the period in question these effects were quite insignificant for most countries, except perhaps in two cases.

U.S.A.: The national output figures relate to the private gross product, those in brackets to the private net product. The difference is due to the change over the period in the capital consumption allowances calculated at constant prices.

Sweden: If terms of trade effects were removed, the growth rate of output might work out at about 2.8 per cent, with a corresponding increase in the capital coefficient.

France: Official French figures of gross investment include expenditures on repair and maintenance. The figures in brackets are based on estimates of gross investment net of such expenditures (cf. Economic Survey of Europe in 1955, pp. 36 and 59).

Germany: The shorter period was chosen in order to exclude the period of reconstruction (or most of it).

Yugoslavia: As in France, official figures of gross investment include repairs and maintenance. If they were excluded, the gross capital coefficient would probably be in the neighbourhood of 3.

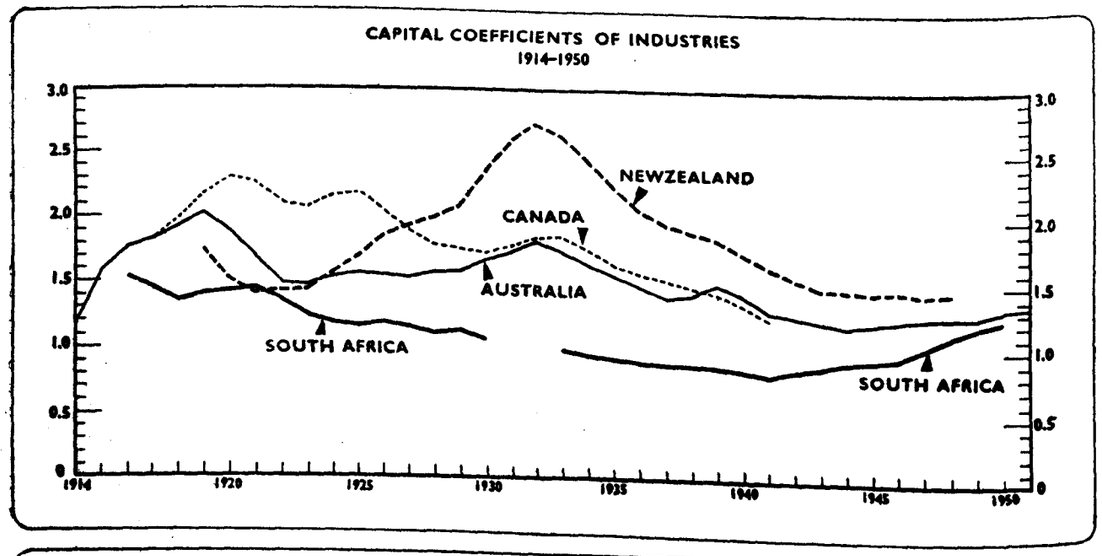
Ceylon: A removal of the terms of trade effects might reduce the growth rate of output to about 4 per cent. No official figures of net investment are available but a recent survey of the Taxation Commission indicated that net investment constituted perhaps 85 per cent of gross investment. The figure in brackets is based on this estimate.

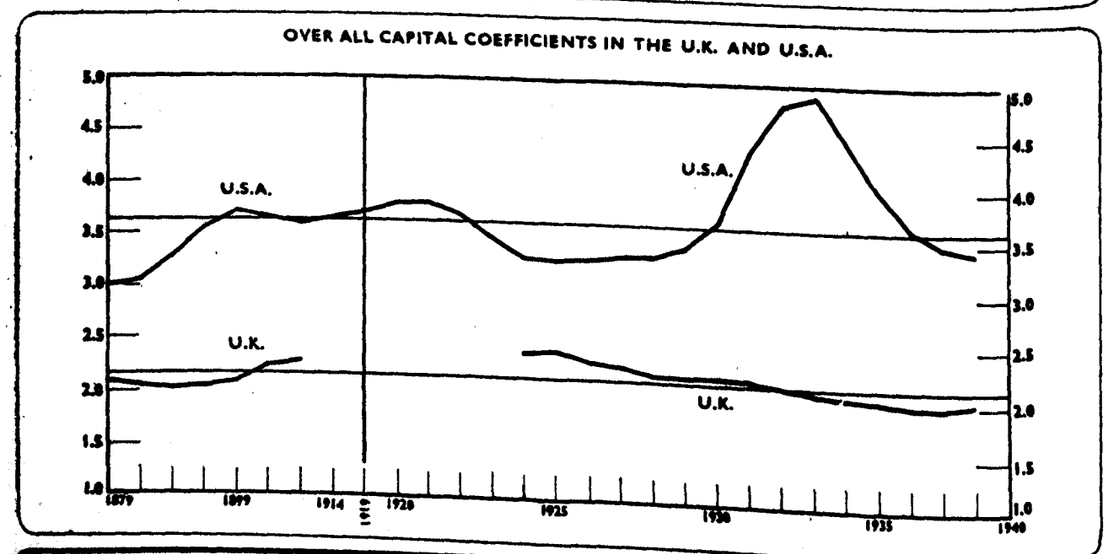
India: Capital coefficients are calculated on a synchronous basis for the period of the first Five-Year Plan (1951-52 to 1955-56). For the last year no separate figures of inventory accumulation was available. We allowed about 1 per cent of the national income for the non-monetary investment of the peasants; for monetized investment only, the capital coefficient in the last column of the table would be just under 2.

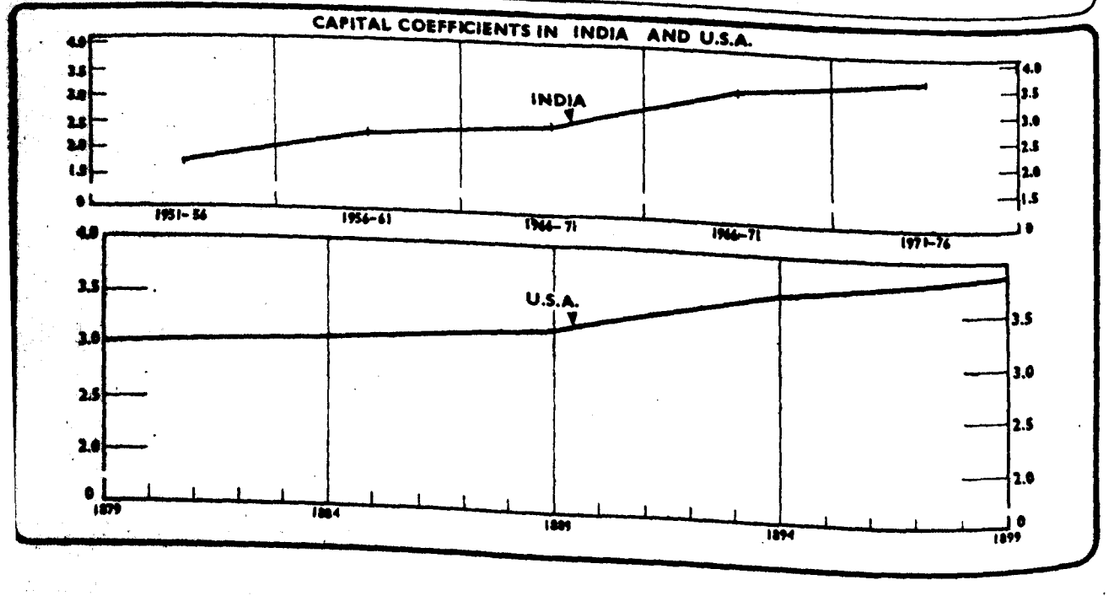
Burma: In the absence of a reliable terms of trade index, a short period was chosen over which terms of trade changes were small.

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CAPITAL COEFFICIENTS







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The Budget, the People and the Plan

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Cry, the Beloved Country

FROM all parts of India, there has risen a shrill, and almost agonised, cry against the new taxes imposed by the Finance Minister in his Budget on May 15. It is not the fact of a protest which is new; every Budget worth its name must stamp on someone's corns. It is the unique, and almost universal, character of the protest that has now been raised. There is no doubt that the vehemence of the protest has taken a large number of the supporters of the Government rudely aback. Thus it is not the volume of taxation alone which is in question, but its incidence on particular vocal groups, who are reflecting here undoubtedly the true feelings of the people. It is because this Budget is concerned as much with the people as with the Plan, that this Blue Supplement bears the title 'THE BUDGET, THE PEOPLE, AND THE PLAN.'

It is now clear that economic progress in India is to be a three-cornered business. If the instrument of finance is to be the Budget, and the reason for the application of the instrument is to be the Plan, it has now become clear that both instruments have to be brought into relation with a superior limiting factor —the attitude of the people, who are both for a bigger Plan and against the raising of the resources for it by excessive taxation or inflation. Herein lies the paradox, the significance of which has not been understood or explained in any recent economic literature. This is, however, only an old illustration of classical utility economic theory. The additional advantage of a larger Plan has to be balanced at the margin with the disutility of an additional dose of taxation. The cry that has risen all over the country is in fact a significant illustration of the point that the disutility of the Finance Minister's proposals outweighs the utility of a Plan of this size in the public mind.

The idea that the Indian people would vote for a bigger Plan at any price has thus been proved to be mistaken. It is not, however, enough merely to record this fact that the majority of the people in this country reject the current proposals even though they are in fulfilment of a national aspiration for economic progress. It is necessary to analyse closely the limits within which the disutility of taxation will overcome the utility of the Plan. Can it be that the standard of living of the Indian people is, with these proposals, being reduced, meaning in fact that the people are not being asked to contribute from increments but from their current standard of consumption? Or is it that, irrespective of the increments that have been produced, the Indian people would prefer to go more slowly in economic development in order to pay the price for a longer period? These are some of the points which are discussed in the current Blue Supplement. It is believed that for the lower middle classes as a whole, the limits of taxation and inflation have been passed.

It is suggested that the speed with which the excises have been developed is not in itself the core of the trouble. The middle classes have since 1948-49 suffered much more by the erosion of their incomes by inflation than by the strict incidence of new excises, though these, too, have been large. On the other hand, for the lowest income group it is clear enough that the taxes themselves are excessively burdensome. The total burden of both inflation and the new taxes is borne very unequally in the country. Those agriculturists who have substantial produce to sell would seem not to have been injured, for what they have lost in the higher prices of goods they buy and higher indirect taxation has been made good by the higher receipts for their goods sold. This cannot be said of the middle-classes who have lost both ways, at least so far as those who have had no increments of capital or substantial increase of income in the period.

Here, perhaps, one will find the majority of leaders, actual or potential, in the country's political life. Here, too, for the most part are the lower-paid civil servants and clerks and teachers and the vast army of opinion leaders in every democratic group. The kernel of India's political system is contained within their ranks. A grave risk is being run by the insistence that "the

people" — undefined — want a Plan of this size at any price. It is this consideration which makes it necessary to reduce the Plan or total economic outlay without further delay. In an article in this issue this case is advocated as the only immediate solution to our current difficulties. The Indian people will not take current levels of taxation; current levels of expenditure are not even necessary in themselves or for the Plan. It is just as vital that we should have a new expenditure pattern as that we should have reduced indirect taxation.

This is the theme of this Blue Supplement. It sets out, first, the burden of new taxes in the cost of living in general and secondly, of the middle classes in particular. It is not the current burden, however, alone which is important; it is the cumulative burden which makes a very different showing. It is argued that, since it is politically impossible to impose the burden on India's middle classes, the Government will need to cut its outlay substantially. To adhere to its present expenditure is unwise; in particular respects, it would be outrageous. The solution of the country's problems thus depends on a quick understanding by the Finance Minister that the political stability of the country is being shaken beyond repair by a wholly reckless exercise in academic finance.

The Excises and the Cost of Living

AT a Press Conference held on Saturday last the Finance Minister gave an official estimate of the impact of the additional excise duties levied in May to be of the order of 0.70 per cent in the case of a rural dweller and 1.38 per cent in respect of an urban dweller. Independent estimates have been made by the Research Section of "The Eastern Economist" to measure the increases in respect of the cost of living of these two classes. Table I below shows the impact on the rural cost of living higher at 0.96 per cent whereas in the case of the urban areas cost of living, it is practically the same at 1.17 per cent. But it needs to be emphasized that the above table omits matches and paper, which enter into the consumption pattern of an average Indian family. The omission is due to the fact that the weights to be assigned to these items are not available in the official National Sample Survey Reports. If they are taken into account the urban cost of living will approach the estimate given by the Finance Minister, while the rural cost of living will show a significant excess above the official figure of 0.70 per cent.

What is of much more practical value is the impact of the new duties on different income brackets, since it is obvious that the burden of the tax is felt with very different degrees of severity on different income groups. In table II below is shown the effect of the excise taxes on five income brackets in the city of Calcutta on the basis of the surveys conducted by the West Bengal Bureau of Statistics. It will be seen that the percentage increased burden varies as widely as from 0.47 in the highest income group (above Rs. 700 per month) to 1.03 per cent in the lowest income group (Re. 1 to Rs. 100 per month). Edible oils and sugar contribute heavily to the burden in the case of all the income brackets, and tobacco in the two lowest income groups. It is clear that the burden falls with particular severity on the two lowest groups, the greater by reason of the fact that the scope to manoeuvre expenditure away on these items is very restricted.

Measurement of the burden of excise duties considered in isolation in respect of the current financial year alone might indicate that the increase in the cost of living has been marginal ranging a little above one per cent. But it cannot give a real idea of the impact of the cumulative burden now being carried. Table III on p. (iii) sets out the growth in the net revenue of the Union Government from excise duties in the post-independence period. The rapidity with which revenue from excise duties is leaping forward is patent from the table. Between 1948-49 and 1957-58 net revenue from excise has mounted from Rs. 50.63 crores to Rs. 258.43 crores or more than five times over the whole period. This rise in excise revenue has been particularly steep since 1955-56. It will be seen that as against the total net revenue of Rs. 108.22 crores in 1954-55 the budget estimates for 1957-58 jump to Rs. 258.43 crores.

The leading contributors to the pile of excise duties are cotton cloth, sugar, tobacco, matches, and motor spirit. The last, of course, does not enter into the average family budget. But the remaining major contributors constitute important ingredients in consumer expenditure at the average or common man's level. Excise on cotton cloth was marginal at Rs. 0.87 crore in 1948-49 but now takes pride of place with a net revenue of Rs. 72 crores — a wholly astronomical figure in proportionate terms. Sugar shows an increase of more than five and a half time during the decade. The revenue from the matches shows a 100 per cent increase and tobacco a little more than 50 per cent.

What is the share of excise revenue in the total consumer expenditure in the economy? It is estimated that in 1957-58 consumer expenditure will be around Rs. 10,000 crores. If the Union Finance Minister succeeds in realising excise revenue of Rs. 258.43 crores in the current year, it will form two and half per cent of total consumer expenditure. This is the over-all average. The impact on lower income groups, especially on the middle class living in the cities is heavier.

The combined effect of all these excise duties on the lowest income groups (vide table iv) is of the order of more than five per cent. This burden becomes all the more severe in the lowest income group where the mean income of the family may be taken as Rs. 50 and the excise duties take away nearly Rs. 3. It is this sector of society which feels rebellious at the latest imposition, which just cannot be taken. In the highest income group where the income may be greater around Rs. 1,000 per month the increased burden amounts to Rs. 37 only. There is bitter injustice in the fierceness of the regression of these taxes.

TABLE I

THE INCIDENCE OF THE ADDITIONAL EXCISE DUTIES

	Rural Weights	Urban Weights	Percentage Rise	Total effect Rural	Total effect Urban
Sugar	2.84	2.72	14.7	41.75	39.98
Vegetable Oils	3.18	3.95	2.5	7.95	9.88
Tea & Coffee (Refreshment)	1.24	3.95	9.8	12.15	38.17
Tobacco	2.12	1.86	15.5	32.86	28.83
				94.71	117.40

Percentage rise in rural cost of living: 0.95
Percentage rise in urban cost of living: 1.17

TABLE II

THE INCIDENCE OF THE NEW EXCISE DUTIES ON THE MIDDLE CLASSES IN CALCUTTA

Commodity	Percentage Change in Prices	Rs. 1 — 100 Weights	Rs. 101 — 200 Weights	Rs. 201 — 350 Weights	Rs. 351 — 700 Weights	Rs. 701 and above Weights
Edible Oil	2.5	4.64 (11.60)	3.60 (9.00)	3.10 (7.75)	2.62 (7.55)	1.62 (4.05)
Sugar	14.7	3.06 (44.98)	2.79 (41.01)	2.32 (34.10)	1.94 (28.52)	1.21 (17.78)
Tea & Coffee	9.8	0.78 (7.64)	0.87 (8.53)	0.93 (9.11)	0.96 (9.41)	0.72 (7.06)
Matches	41.0	0.37 (15.17)	0.24 (9.84)	0.19 (7.79)	0.13 (5.33)	0.08 (3.28)
Tobacco	15.5	1.49 (23.10)	1.22 (18.91)	0.98 (15.19)	0.95 (14.73)	0.95 (14.78)
Percentage Increase		102.49 (1.03)	87.29 (0.87)	73.94 (0.74)	64.54 (0.65)	46.90 (0.47)

TABLE III

UNION EXCISE REVENUE

(Rupees in crores)

	1948-49 (Accounts)	1949-50 (Accounts)	1950-51 (Accounts)	1951-52 (Accounts)	1952-53 (Accounts)	1953-54 (Accounts)	1954-55 (Accounts)	1955-56 (Accounts)	1956-57 (Revised)	1957-58 (Budget)
Motor Spirit	1.41	1.73	2.08	2.07	2.11	2.47	9.87	23.05	23.20	32.06
Kerosene	0.20	0.22	0.28	0.26	0.24	0.33	0.93	2.43	2.75	3.16
Sugar	6.47	7.34	6.46	8.43	9.93	14.36	8.36	18.58	20.00	36.45
Matches	7.31	7.57	8.07	8.69	9.45	9.32	9.25	10.08	10.00	15.00
Tobacco	25.46	28.23	31.99	35.55	34.68	33.00	31.39	36.46	35.49	40.59
Vegetable products	1.96	2.28	2.19	2.45	2.75	2.79	3.13	3.82	3.50	3.50
Coffee	0.49	0.50	1.17	0.77	0.59	0.77	0.98	0.93	1.05	1.85
Tea	3.66	2.54	3.36	4.31	3.46	2.09	3.19	3.17	3.50	5.97
Cotton cloth	0.87	12.33	9.26	16.36	13.46	21.67	27.59	28.18	59.58	72.00
Artificial silk	..	..	..	..	..	0.11	0.49	2.18	0.80	0.80
Foot-wear	..	..	..	..	..	0.08	0.82	0.84	0.85	0.90
Soap	..	..	..	..	..	0.16	1.40	1.55	1.60	1.60
Woollen fabrics	..	..	..	..	..	..	0.02	0.53	0.60	0.60
Paper	..	..	..	..	..	..	0.21	2.68	2.95	5.01
Vegetable non-essential oils	..	..	..	..	..	..	..	0.29	5.00	7.54
Total Net Revenue	50.63	67.85	67.54	85.78	83.03	94.98	108.22	145.25	188.73	258.43

TABLE IV.

TOTAL INCIDENCE OF THE EXCISE DUTIES ON THE MIDDLE CLASSES IN CALCUTTA

Commodity	Percentage Change in Prices	Income group Rs. 1 — 100 Weight	Rs. 101 — 200 Weight	Rs. 201 — 350 Weight	Rs. 351 — 700 Weight	Rs. 701 and above Weight
Vegetable Oils	14.9	4.64 (69.14)	3.60 (53.64)	3.10 (46.19)	2.62 (39.04)	1.62 (24.14)
Sugar	33.1	3.06 (101.29)	2.79 (92.35)	2.32 (76.79)	1.94 (64.21)	1.21 (40.05)
Tea and Coffee	8.0	0.78 (6.24)	0.87 (6.96)	0.93 (7.44)	0.96 (7.68)	0.72 (5.76)
Matches	155.9	0.37 (57.68)	0.24 (37.92)	0.19 (29.62)	0.13 (20.27)	0.08 (12.47)
Tobacco	55.6	1.49 (82.84)	1.22 (67.83)	0.98 (54.49)	0.95 (52.82)	0.95 (52.82)
Cotton Cloth	29.2	5.37 (156.80)	6.23 (181.92)	5.74 (167.61)	5.47 (159.72)	5.88 (171.70)
Footwear	1.3	0.90 (1.17)	1.08 (1.40)	1.05 (1.37)	1.02 (1.33)	0.98 (1.27)
Soap	14.6	1.38 (20.15)	1.36 (19.86)	1.30 (18.98)	1.06 (15.48)	0.89 (12.99)
Paper	18.7	0.16 (2.99)	0.43 (8.04)	1.16 (21.69)	1.37 (25.62)	1.03 (19.26)
Kerosene oil	13.9	0.97 (13.48)	0.61 (8.48)	0.33 (4.59)	0.20 (2.78)	0.06 (0.83)
Percentage Rise		5.12	4.78	4.29	3.89	3.41

The Fate of the Middle Classes

IT is becoming increasingly clear that the lower middle classes, particularly in the large cities, have reached the limit of their capacity to bear additional taxation. This may look surprising since the average lower middle class income is substantially higher than the average per capita national income. It has been too often assumed that the middle classes are in a more fortunate position to bear additional taxation than the agriculturists. There are two important considerations which should now be recognised in order to correct this misapprehension.

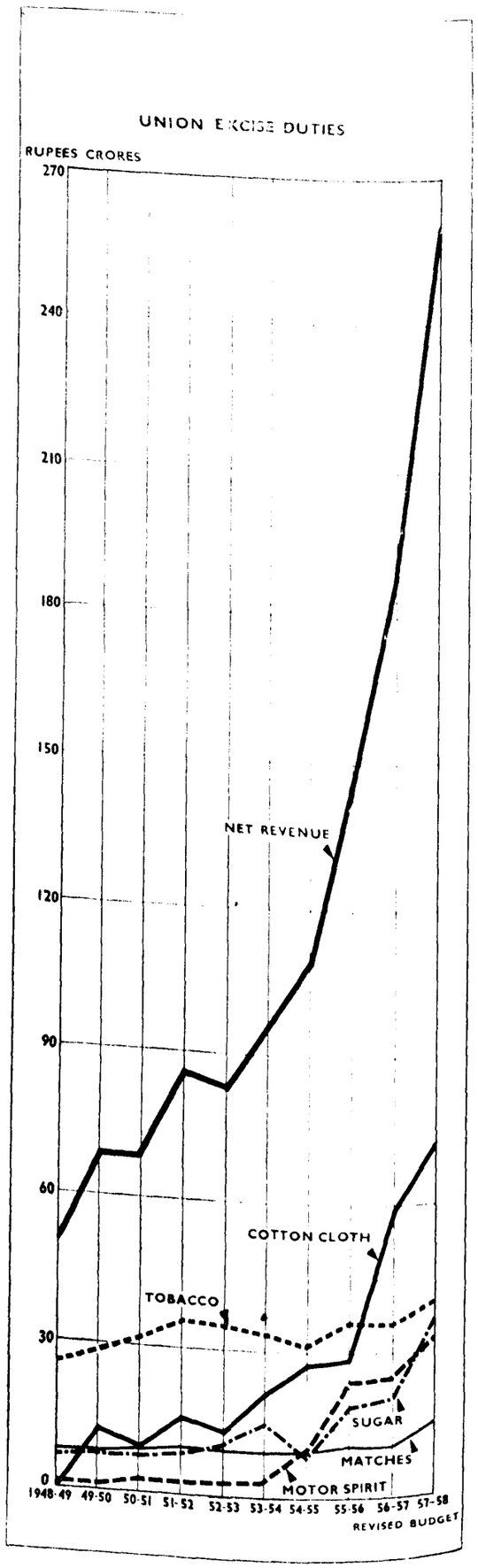
In the first place, the effect of the rise in prices in general and of agricultural prices in particular have worked very unequally between agriculturists and lower middle class income groups. It is arguable that in the case of agriculturists, while they have to pay more for the goods they buy, they are no worse off than they were in 1948, and may conceivably be substantially better off. The graph on p. x shows that a parity index, showing the terms of trade for an agriculturist, has risen and fallen, but is now substantially above its 1948 figure so that it might be assumed that, so far an agriculturist with produce to sell is concerned, no injury has been done at present by the rise in prices. It is true that he has had to bear added excises but as the previous article will have indicated the total order of these impositions might conceivably be of the order of 5 per cent in the lowest income groups.

The position in respect of the middle classes is substantially different. This position is best described in the form of three tables setting out the real income of salaries class with money incomes from Rs. 50 to Rs. 1,000 per month in May 1948, May 1955 and May 1957. If we take the last two years it will be seen that a man with a monthly income of Rs. 400 after tax has an income of real pre-war value of Rs. 93.5 and a man of Rs. 1000 per month of only Rs. 222.9. In other words, in the last two years as Table IV will show he has had a fall in real income by 18.6 per cent at the Rs. 400 level and 18.7 per cent at the Rs. 1000 fall. Broadly, one might say that all income groups in the lowest income middle classes have had a fall in real income in the last two years of between

TABLE I.

REAL INCOME OF THE SALARIED CLASS AT PRE-WAR PRICES IN MAY 1957.

Monthly Income		Annual Income	Annual Income Tax	Annual Income after tax	Annual Income after taxes at pre-war prices	Monthly Income after tax at pre-war prices
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
50	..	600	—	600	141.8	11.8
100	..	1,200	—	1,200	23.6	283.7
150	..	1,800	—	1,800	425.5	35.5
200	..	2,400	—	2,400	567.4	47.3
300	..	3,600	18	3,582	846.8	70.6
400	..	4,800	54	4,746	1,122.0	93.5
500	..	6,000	120	5,880	1,390.1	115.8
600	..	7,200	192	7,008	1,656.7	138.1
700	..	8,400	305	8,095	1,913.7	159.5
800	..	9,600	419	9,181	2,170.4	180.1
900	..	10,800	550	10,250	2,423.2	201.9
1,000	..	12,000	688	11,312	2,674.2	222.9



18 to 20 per cent. This is the reason why the middle classes can take no further burden.

One should look at the performance of India's middle classes since 1948 in order to estimate the cumulative extent to which they have shouldered the burden of additional inflation and additional taxation. Prima facie indications are that for those whose money income has been constant it is of the order of 12 to 13 per cent in real income. It is true that most of this is not the result of taxation but the rise in prices, but the effect on the capacity to bear additional burden cannot be minimised.

What needs to be examined is whether in view of the steep fall in the standard of living of the lower middle class groups enthusiasm for the Plan can be expected from the people. The psychological feeling of having made contributions without acquiring any substantial benefits has grown to a point when it is likely to infect the body politic with an angry and possibly revolutionary vote. The benefit of the first Plan and presumably portions of the second have gone far more to agriculturists, to industrial labour and to the profit making classes than to the salaried classes in the income brackets described. It is time this trend was reversed.

TABLE II.

REAL INCOME OF THE SALARIED CLASS AT PRE-WAR PRICES IN MAY 1955

Monthly Income		Annual Income	Annual Income Tax	Annual Income after tax	Annual Income after taxes at pre-war prices	Monthly Income after tax at pre-war prices
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
50	..	600	—	600	175.4	14.6
100	..	1,200	—	1,200	350.9	29.2
150	..	1,800	—	1,800	526.3	43.9
200	..	2,400	—	2,400	701.8	58.5
300	..	3,600	—	3,600	1,052.6	87.7
400	..	4,800	86	4,714	1,378.4	114.9
500	..	6,000	131	5,869	1,716.1	143.0
600	..	7,200	224	6,976	2,039.8	170.0
700	..	8,400	345	8,055	2,355.3	196.3
800	..	9,600	461	9,139	2,672.2	222.7
900	..	10,800	602	10,198	2,981.9	248.5
1,000	..	12,000	744	11,256	3,291.2	274.3

TABLE III.

REAL INCOME OF THE SALARIED CLASS AT PRE-WAR PRICES IN MAY 1948

Annual Income		Monthly Income	Annual Income tax	Annual Income after tax	Annual Income after tax at pre-war prices	Monthly Income at pre-war prices
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
50	..	600	—	600	163.4	13.6
100	..	1,200	—	1,200	326.8	27.2
150	..	1,800	—	1,800	490.2	40.8
200	..	2,400	—	2,400	653.6	54.5
300	..	3,600	86	3,514	957.0	79.7
400	..	4,800	146	4,654	1,267.4	105.6
500	..	6,000	156	5,844	1,591.5	132.6
600	..	7,200	314	6,876	1,872.6	156.0
700	..	8,400	434	7,966	2,169.4	180.8
800	..	9,600	554	9,046	2,463.5	205.3
900	..	10,800	674	10,126	2,757.6	229.8
1,000	..	12,000	794	11,206	3,051.8	254.3

TABLE IV.

INCOMES AFTER TAX

(At pre-war prices)

Monthly Income (1)		May 1948 (2)	May 1955 (3)	May 1957 (4)	Percentage change of (4) to (2)	Percentage change of (4) to (3)
Rs.		Rs.	Rs.	Rs.		
50	..	13.6	14.6	11.8	—13.2	—19.2
100	..	27.2	29.2	23.6	—13.2	—19.2
150	..	40.8	43.9	35.5	—13.0	—19.1
200	..	54.5	58.5	47.3	—13.2	—19.1
300	..	79.7	87.7	70.6	—11.6	—19.5
400	..	105.6	114.9	93.5	—11.5	—18.6
500	..	132.6	143.0	115.8	—12.7	—19.0
600	..	156.0	170.0	138.1	—11.5	—18.8
700	..	180.8	196.3	159.5	—11.8	—18.7
800	..	205.3	222.7	180.1	—12.3	—19.1
900	..	229.8	248.5	201.9	—12.1	—18.8
1,000	..	254.3	274.3	222.9	—12.1	—18.7

Company Profits, Taxes and Reserves

THE Finance Minister's Budget proposals in respect of taxation of company profits and company assets are of a mixed nature providing for a predominant increase in most respects and only fractional relief in two instances. It is pertinent to ask what would be the final effect of the budget proposals on company profits and their reserves inasmuch as these questions are quite crucial to the capacity of the private sector to fulfil its assigned part in the second Plan. An answer to this question would inevitably require a brief examination of the additional burden of direct taxes as offset by the partial relief which has been rendered.

It is significant that while the rates of income-tax on personal income have been reduced, the rate of income-tax for companies has been stepped up. As against the basic rate of 4 annas in the rupee, the new rate which the Finance Bill seeks to substitute is 30 per cent for income-tax. It will thus be seen that income-tax for companies has been increased by 5 per cent. The increase does not stop with income-tax alone. It is extended also to corporation tax. The corporation tax has been raised from 2 annas 9 pies in the rupee to 20 per cent, which means that there has been a change from 17½ per cent to 20 per cent. The Finance Minister has justified these additional levies on two grounds, namely, that its effect will be insignificant and it will help to check tax evasion. It is common knowledge that a high rate of income-tax is tolerated because the tax can be evaded; but the new theory propounded by the Finance Minister is that a still higher rate of income-tax would also serve to discourage tax evasion.

Consideration has been shown by the Finance Minister to the corporate sector in two directions. The excess dividends tax has been reduced from 12½ per

cent to 10 per cent on distribution of dividends between 6 and 10 per cent of the paid-up capital, from 25 per cent to 20 per cent on dividends between 10 per cent and 18 per cent and from 37½ per cent to 30 per cent on distribution in excess of 18 per cent. This reduction would go to mitigate the strain of taxation in some degree, but it is unlikely to have any mentionable effect on savings inasmuch as the lower rate cannot have the effect of discouraging distribution of dividends. In the next place the rates of super-tax for inter-corporate dividends which stood at 20 per cent for foreign companies and 17 per cent for Indian companies have been reduced to a uniform rate of 10 per cent. To the extent that this reduction serves as an incentive to investment of foreign capital in India, this relief is certainly to be welcomed. But this is only one among many important considerations governing the foreign investors' choice to invest in this country.

The hammer has come with full force on bonus issues. This tax has been raised steeply from 12½ per cent to 30 per cent. At the new rate bonus issues have been not only penalised but practically made prohibitive. There is a virtual ban on bonus issues which means no revenue will accrue under this head.

Undoubtedly the most controversial proposal of the Finance Minister is its imposition of the tax on wealth or on assets of companies. The Finance Minister has made a radical departure from Prof. Kaldor's proposals in extending the tax on wealth to companies which he never suggested. The Finance Minister's justification is that the tax on wealth for companies is called for in the peculiar situation prevailing in this country, but he has omitted to explain what the peculiar situation is. Its hardship will be manifold. A newly started company which may not have begun business will have to pay the tax. Whether profit or loss is earned, no company new or old can escape this levy. To add to this hardship, the tax on assets carries with it a positive element of multiple incidence. Company assets, shareholder's shares and the parent company's assets invested in the subsidiary companies will all bear the burden of tax at different stages but on the same subject-matter.

What will be the net effect of the new or enhanced taxes, minus reductions granted in two cases, on the reserves of companies? An attempt has been made to determine the nature of this effect with reference to the analysis carried out by the Research Department of the Reserve Bank of India in respect of the finances of 358 public limited companies before the present Companies Act came into force. The table alongside gives the important components of the finances of these 358 companies for the year 1955. For the sake of hypothesis it is assumed that all the components mentioned in the table except retained profits will remain stationary in the first year of the enforcement of the new taxes. The reason why retained profits cannot be assumed to remain stationary is obvious. The net additional burden of the new taxes, after making allowance for the two fractional reliefs granted, will directly go to reduce the quantum of retained profits. On approximate computation, the net increase due to the new proposals, other than the tax on wealth, will be to raise the total burden by Rs. 1 crore on the 358 companies. The tax on wealth is roughly estimated to bring a yield of Rs. 0.5 crore. In the result retained profits will be reduced substantially from Rs. 7.1 crores to Rs. 5.6 crores or by about 20 per cent. This is the effect of the new proposals on the selected 358 companies; it may be assumed the results of all companies will be of the same order. The Finance Minister's estimate of the proceeds from the tax on wealth in the aggregate is of the order of Rs. 15 crores. On a reasonable calculation the share of tax (wealth) from company assets may be placed at a minimum of Rs. 3.5 crores. Any way these proposals are examined, the level of corporate profits, corporate reserves and dividends will be substantially lower than it is now.

ANALYSIS OF 358 PUBLIC LIMITED COMPANIES

	Rs. Crores 1955
Paid-up Capital	138.4
Reserves	
General	50.2
Development	19.6
TOTAL	102.9
Borrowings	96.4
Profit & Loss Account	
Provision for depreciation	13.4
Profit before Tax	31.4
Provision for Taxation	11.7
Dividends	12.6
Retained Profits	7.1
Effect of Taxes	
Net increase in the taxation by new imposition on companies	1.0
Tax on wealth	0.5
Retained Profits after Tax	5.6

Taxation: Present and Future

THE rate of increase in the Central Government's taxation has outstripped the rate of increase in national income since 1955-56. The estimated gross revenue from all taxes in 1957-58 (Budget) constitutes 5.5 per cent of the estimated national income of 1957-58 whereas the gross revenue from all taxes in 1955-56 (Accounts) constituted 4.5 per cent of the national income of that year. An increase of 1 per cent is not trivial, it may also well turn out to be something more for the 1957-58 estimates may turn out to be underestimates as budget estimates of tax revenue usually do. The only static part of the story is that the proportion of direct taxation to all taxation continues to be around 35 per cent in 1957-58 (Budget) as in 1955-56 and 1956-57. A fuller picture of the course of taxation can be had from the table on the next page.

TAXES LEVIED BY CENTRAL GOVERNMENT

	1955-56 (Accounts)	1956-57 (Revised)	1957-58 (Budget)	Percentage increase in 1957-58 over 1955-56
Gross Revenue from direct taxes (in Rs. crores)	170.2	192.1	225.1	32.3
Gross Revenue from indirect taxes (in Rs. crores)	312.0	359.7	426.4	36.7
Total Gross Revenue from all taxes (in Rs. crores)	482.2	551.8	651.5	
Direct taxation as a per cent of all taxation	35.3	34.8	34.6	
Percentage increase of all tax revenue over 1955-56	—	14.4	35.1	
Estimated National Income in 1952-53 prices (in Rs. crores)	10,800	11,336	11,872	
Percentage increase of National Income over 1955-56	—	5	10	
Total Revenue from all taxes as a per cent of National Income	4.5	4.9	5.5	

It may be seen from the above table that indirect taxation has increased to a somewhat greater extent than direct taxation. This, however, can be no consolation to the persons who pay taxes on their personal and corporate incomes, for it is not as if the burden of all indirect taxation can be wholly shifted to the consumer. In the circumstance it may be roughly taken that direct taxation has increased to the same extent as indirect taxation. Any case for some reduction in overall direct taxation, however, cannot be easily sustained without simultaneously pleading for a reduction in over-all indirect taxation so that the relative level of direct taxation might continue to be around 35 per cent.

One may plead here that the United Kingdom which has served as an example for this country in the matter of income-tax level should be also an example in the matter of direct-taxation proportion to all taxation. It is true that direct taxation in the United Kingdom constitutes as much as 52.5 per cent of all taxation (as of 1956) as against 35 per cent in India. It is, again, true that there are greater inequalities of income and wealth in India than in the United Kingdom. But what is likely to be forgotten in any such comparison between the two countries is that the one is an advanced or well-developed economy while the other is under-developed. While it has become more or less axiomatic in the context of post-war concepts of economic development of underdeveloped countries that public investment has to be relatively larger than ever before, the concept of mixed economy has also come to require that private investment should be encouraged to maintain a high level. As the pool out of which capital forms is a single pool, redistributive taxation (in so far as it constitutes capital formation in the public sector) has to be broadly related to the rate of savings in the economy as a whole. Such redistributive taxation appears to have reached a higher level consistent with the higher rate of savings and the higher level of economic development in the United Kingdom; in the same way redistributive taxation in India has naturally to be at a lower level consistent with her lower rate of savings and lower level of development. It should not be forgotten that if the United Kingdom as a most developed country is now most taxed, it was not taxed so much at the stage when it was not developed so much. It would, therefore, be appropriate if India as an underdeveloped country comes to have an optimum in the field of direct taxation for the duration of the second Plan which has decreed some spectacular capital formation in the private sector. That this optimum cannot be anything more than 35 per cent of all taxation, can only be pragmatically determined in the light of the complications caused in the capital and money markets by the taxation measures since last year.

As indirect taxation has reached the peak level in 1957-58 (the additional excise duties are nearly like the last straw on the camel's back), any additional taxation contemplated by the Finance Ministry may only be mostly in the field of direct taxes. If this logical possibility should become a probability, the proportion of direct taxation to all taxation would go considerably beyond 35 per cent. It is here that the Kaldor Report on Tax Reform acquires an alarming significance. Already three major taxes — on capital gains, wealth and expenditure — recommended by Kaldor have found favour with the Finance Ministry. Of these three, the capital gains tax is already on the Central fisc; the annual taxes on wealth and upper class expenditure, now proposed await, approval by Parliament. The general gift tax proposed by Kaldor hovers in the background. That the Kaldor Report is coming to be implemented by instalments, is now clear. The relevant question is why, in spite of the meticulous estimate of the Central Board of Revenue that the income evading tax cannot be more than a third of that estimated by Kaldor and in spite of the Board's confident judgment that the tax-evading income could be largely tackled by strengthening the Income-tax Department, the Finance Ministry has chosen to implement the crucial proposals in the Kaldor Report without at the same time bringing down steeply the maximum rate of tax on income as near as possible to the 45 per cent proposed by Kaldor.

It is only pertinent to ask that question because the Finance Ministry perhaps wants to have the best of both the worlds — high rates of income-taxation and the Kaldor taxes to boot. The basic justification for the Kaldor proposals is that the huge income (about Rs. 525 crores) evading tax cannot be got at except by diversifying the tax structure so as to catch it at different points. If, as the Central Board of Revenue has estimated, the income evading tax is not of the magnitude estimated by Kaldor, the case for taxes on wealth, expenditure, gifts, etc., falls to the ground. It is indeed contradictory that the Finance Ministry should believe in the Board of Revenue's estimate of tax evasion and act on that basis by not reducing steeply the maximum rate of income-taxation and that the Ministry should at the same time implement the Kaldor devices intended for getting at the income which is supposed to evade tax precisely on account of the high rates of income-taxation. If the Finance Ministry believes in the stand of Kaldor as well as of the Central Board of Revenue, it can only

mean that the burden of direct taxation is sought to be increased far beyond the level reached in 1955-56 when the Planning Commission itself thought that "some of the measures which might reduce inequalities are apt to react adversely on incentives". The country may have to pay a heavy price in terms of delayed development if redistributive taxation of the kind already prevailing is to be made fully egalitarian at a time when production should be the paramount consideration.

Pruning the Plan

IT is now obvious that the second Five-Year Plan has run into difficulties even during its first year. This the Finance Minister himself has conceded. The strain on the economy has been both in the matter of internal and external resources. The steady decline in the foreign exchange resources, the sharp rise in domestic prices and the acute stringency in the money market even during the slack season are all symptoms that are unmistakable. They indicate clearly that the economy has been subject to an inflationary pressure of an intensity which calls for a re-thinking on the further progress of the Plan.

The Finance Minister has stated that it is not possible to say at this stage to what extent the progress of the Plan will be affected because of foreign exchange. But the decline in the reserves certainly calls for a slowing down of development. It is right that the Government should concentrate on carrying through the projects in the 'core' of the plan, viz, steel, coal, transport, and ancillary power and "not make fresh commitments till the outlook becomes clearer". In thus admitting the "inevitability" of some rephasing of the Plan, the Finance Minister has indirectly conceded that the Five-Year Plan cannot be completed in the scheduled period or alternately the targets should be pruned if the Plan is to run its course on an even keel.

It is estimated that the actual outlay on the Plan in the first year was approximately Rs. 700 crores as against the budgeted outlay of Rs. 825 crores thus leaving a shortfall of Rs. 125 crores. If one were to take into account the rise in prices since last year the shortfall in real terms is likely to be larger. The moral is clear. To the extent that the target of the Plan expenditure has not been realised, to that extent the Plan has remained unfulfilled and there is no use clinging to a target that has no solid base in resources.

The total Plan outlay for 1957-58 of the Centre and the States has been put at Rs. 915 crores (Rs. 775 crores for the Centre and Rs. 140 crores for the States). The outlay on the Railway Plan has been increased by Rs. 200 crores which means that an extra Rs. 40 crores has been added to the current year's outlay, which makes for a total of Rs. 955 crores. "The Eastern Economist" in its Budget Number of March last has argued the case for pruning the expenditure by Rs. 150 crores (Rs. 80 on the schemes of the Centre plus Rs. 70 crores consequent on the shortfall that is likely to arise in the attempt to raise additional resources by the States considering their first-year performance). If the outlay on the Railway Plan for the current year to the tune of Rs. 40 crores is taken into account, it now becomes necessary to prune expenditure to the tune of Rs. 190 crores. A recent development which has not been taken into account when the Plan was framed was the rise in the defence expenditure. The estimates for Defence Services show an increase of Rs. 49.76 crores over the revised estimates for the current year and what this increase would amount to over the five-year period and its effect on the curtailment of the Plan are not yet known.

In the pruning of the Plan expenditure for the current year, the following factors may be borne in mind while assigning the priorities:

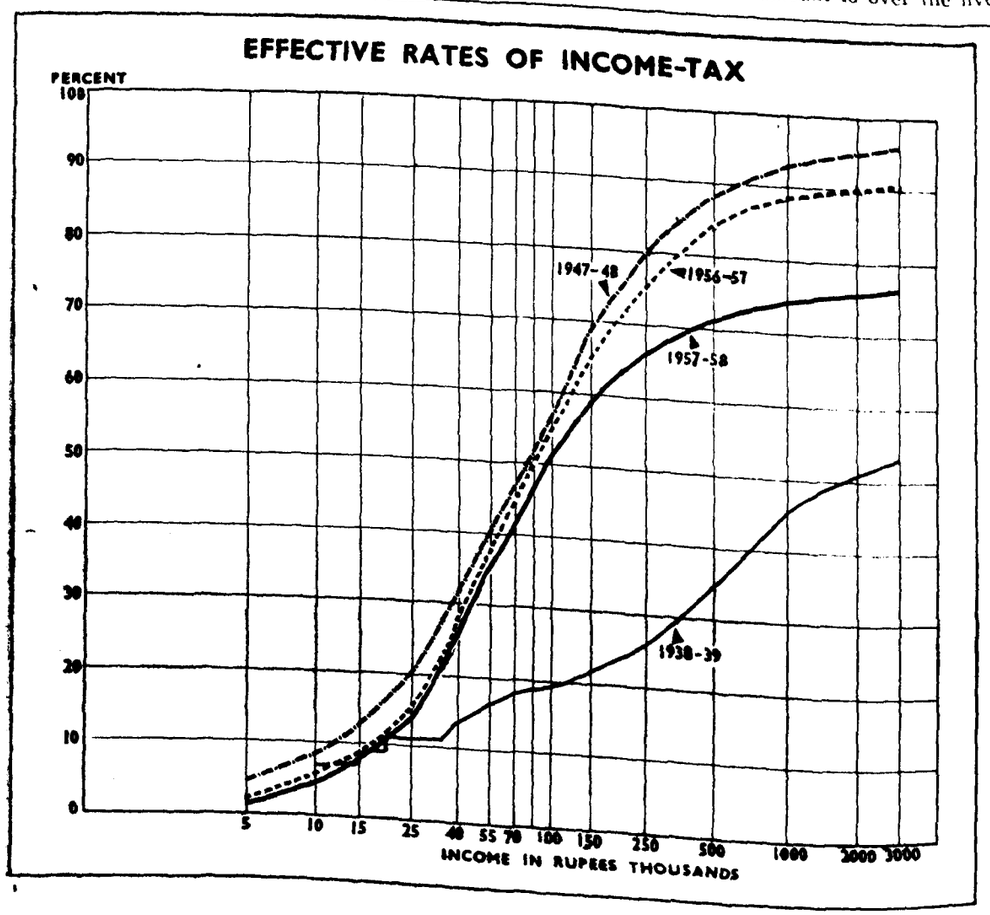
1. First priority should be given to the projects in the 'core' of the Plan which ensures the basic industrialisation of the country.
2. Schemes which contribute to an early increase in agricultural production.
3. Schemes which increase export earnings and reduce import needs without making an excessive claim on foreign exchange resources in the immediate future.
4. Schemes which have already been commenced and on which considerable expenditure has been incurred.

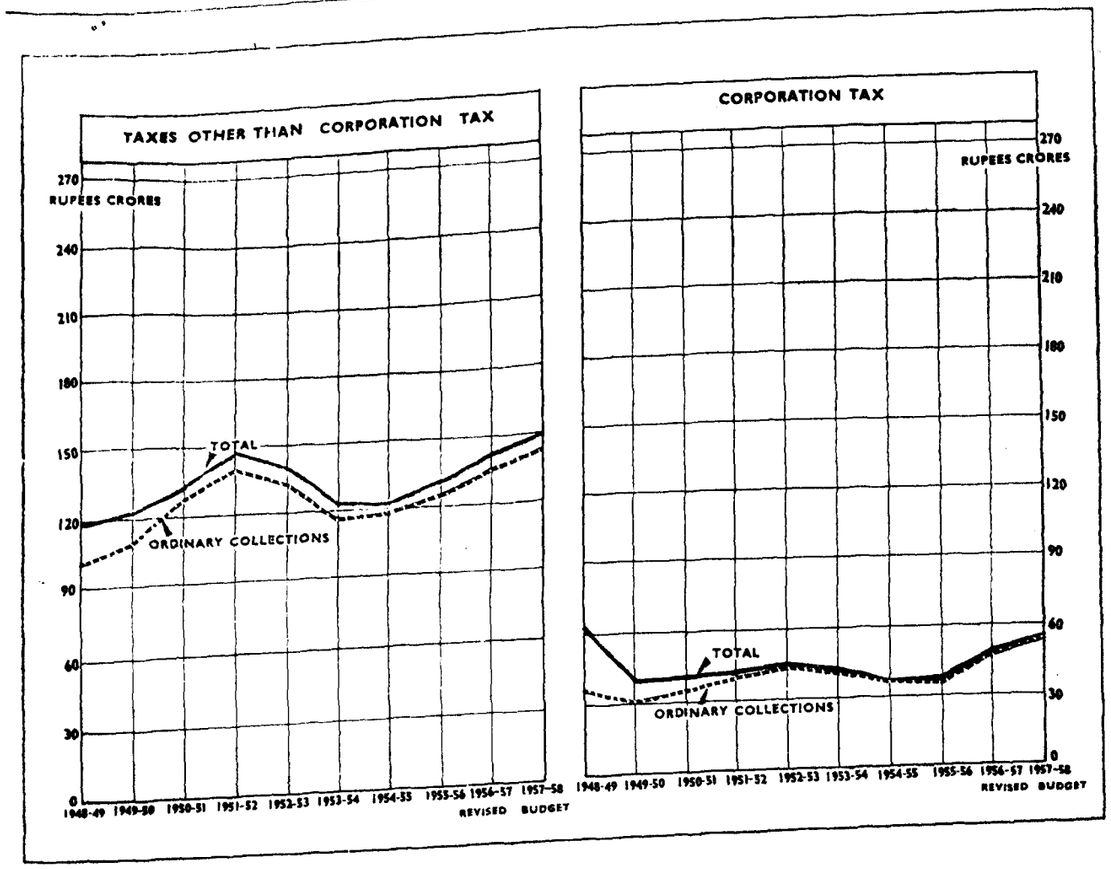
It is in the light of these considerations that a rough indication is given below of how some of the schemes sponsored by the various Ministries can be pruned from the current year's proposed outlay for which financial sanction is sought.

First of all the axe must be applied severely on lavish building programmes which is a luxury that the country cannot afford now. To mention just a glaring example, the construction of the Ashoka Hotel in the capital is an expenditure that is totally indefensible. The Government at first entered into participation in floating a public limited company and subscribed Rs. 26 lakhs and ultimately as the company was not in a position to meet the commitments it had already entered into, the Government had decided to take over the entire project. In the revised estimate for 1956-57, a provision of Rs. 58 lakhs has been made for the purchase of the remaining shares of the company. The sprawling of innumerable buildings in the capital as well as different parts of the country does not betray any sense of auterity or economy on the part of the Government that it often professes. Several State Governments also seem to indulge in the luxury of costly building programmes. A case in point is the lavish constructions in Chandigrah, the new capital of Punjab, which has drawn the scathing criticism of even a Congress member of the State's Assembly.

The schemes of the Ministry of Works, Housing and Supply on 'Delhi Capital outlay,' 'Capital outlay on buildings' and 'Other capital outlay' are of the order of over Rs. 14 crores and many of them can certainly be postponed or even shelved. For the construction of the Supreme court buildings costing about Rs. 45 lakhs in the capital, a provision of Rs. 6 lakhs is made in the budget estimates for 1957-58 and already over Rs. 36 lakhs seems to have been incurred on it. The housing programme of the Ministry also requires greater scrutiny. For example, the low income group housing scheme and the slum clearance scheme, though certainly laudable, cannot be implemented at this stage and a saving of about Rs. 6 crores can be effected in the current year on this account. The various schemes of this Ministry require severe pruning and drastic economy effected if Government's intentions to concentrate on the essentials are to carry conviction.

The Department of Atomic Energy is a newly created one and its capital outlay for the current year is placed at Rs. 9 crores. For Atomic Energy research, a provision of about Rs. 2¾ crores, to be met from 'Revenue', has been made. India is a late comer in



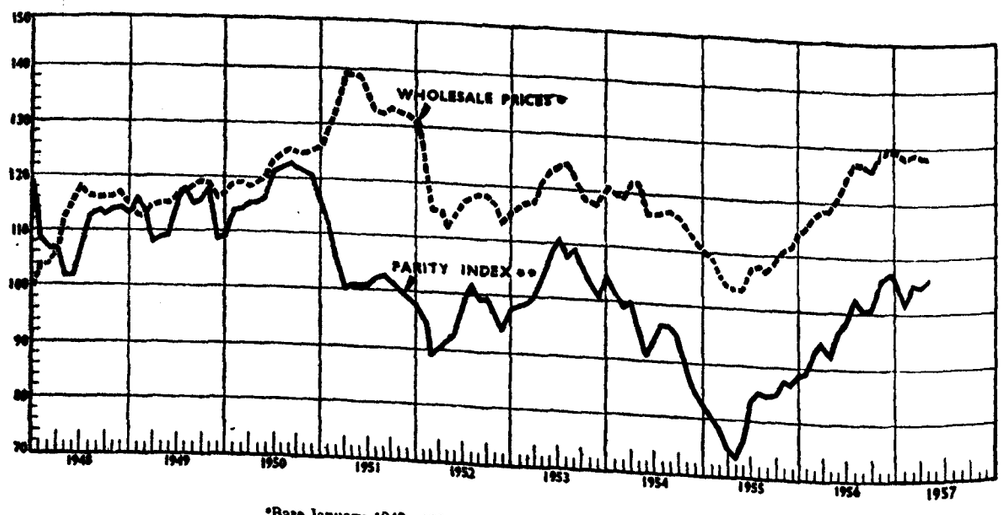


this field and since progress here is in any case bound to be slow, there is a clear case for 'going slow' on expenditure over this department. Since the 'core' of the Plan is steel, coal, transport and ancillary power, the schemes of the Ministries pertaining to these must be left more or less untouched. But even in regard to transport, development on civil aviation need not claim any high priority The capital outlay on civil aviation is about Rs. 3 crores which includes construction of new aerodromes, purchase of equipment and so on, and there seems to be no urgency in their implementation. A provision of Rs. 5 crores has been made for purchase of aircraft and other items of capital expenditure for the Indian Airlines Corporation. A reduction here is also certainly warranted. Some of the schemes with regard to communications like the expansion of the telephone system in many States also do not seem to be in the category of high priority. Similarly the proposal to lay an underground trunk cable between Bombay, New Delhi and Calcutta, estimated to cost Rs. 8 crores can be postponed for a later period.

With regard to the schemes that come under the purview of the Ministry of Irrigation and Power, the criterion should be to go ahead with those that have already been begun and have fairly progressed. The other schemes on which investigations are in progress and have just begun must naturally wait. For example, only preliminary works are in hand in the case of the Nagarjunasagar project and it is a big project to be taken up in three stages and the first stage itself is estimated to take seven years for completion. A provision of Rs. 5.5 crores has been made for this project for 1957-58 which can be naturally postponed. Some of the flood control programmes are also of a long-term nature and expenditure on these can be modified to suit the present exigencies.

The capital outlay on the schemes of the Ministry of Commerce and Industry runs into about Rs. 15 crores and besides this, expenditure is also met from revenue account. There is scope for considerable savings of expenditure on small-scale industries, village industries, khadi, handicrafts, silk industry and so on. For instance, the Ambar Charkha programme which is to cost Rs. 10.09 crores during the current year (Rs. 3.12 crores by way of grants and the balance by way of loans) seems to be ill-timed. So far as the schemes on social services are concerned, a drastic reduction in expenditure is essential if the Plan outlay during the year is to be reduced to manageable proportions. The grant to the Central Social Welfare Board for the year is to the tune of Rs. 1½ crores and since welfare activities of the type sponsored by the Board have no immediate urgency, expenditure on these also can be postponed. Similarly many of the schemes sponsored by the Ministries of Education and Health can be vigorously pruned. Though schemes relating to agricultural production claim undoubtedly a very high priority, here again importance should be given to those that will bring about immediate benefit like 'grow more food' schemes, minor irrigation, distribution of improved seeds and fertilizers etc. But a considerable reduction in expenditure is possible by pruning schemes of lesser importance. There seems to be also great scope for reduction of expenditure that now goes on the staff and establishments of various Ministries that requires closer examination. The magnitude of the task is no doubt colossal. But realism demands that all energies should now be bent upon cutting the Plan outlay to a realistic and manageable size. There is no denying that the Plan as at present is too ambitious and it is only by a drastic revision that a considerable portion of it can be salvaged. What is attempted here is just an outline of the several directions in which pruning appears to be necessary. It is realised that anything like a careful and detailed scrutiny of the hundreds of schemes that form part of the second Plan both at the Central and State levels would be possible only if the Planning Commission publishes, as in the case of the first Plan, details about the various development schemes.

WHOLESALE PRICES AND THE PARITY INDEX



*Base January 1948=100 **Food Prices ÷ Industrial Prices × 100

THE YIELDS OF THE PRINCIPAL TAXES

Indian Union Budget—May 1957

(All figures in lakhs of rupees)

	1951-52 Accts.	1952-53 Accts.	1953-54 Accts.	1954-55 Accts.	1955-56 Accts.	1956-57 Revised	1957-58 Budget
SEA CUSTOMS—IMPORTS							
REVENUE DUTIES							
1. Ale beer, porter, cider, and other fermented liquors	26	25	26	53	54	50	25
2. Spirits and liquors	2,27	2,03	1,86	2,33	2,05	2,00	80
3. Wines	4	7	4	7	7	10	3
4. Spices	68	16	88	1,18	1,25	1,40	90
5. Tobacco	3,61	3,33	2,02	2,47	2,01	1,75	1,40
6. Kerosene oil	6,11	6,66	7,19	8,48	6,21	6,20	6,20
7. Motor spirit	26,04	21,59	27,53	20,01	7,52	3,40	3,40
8. Oils—batching, fuel and lubricating	3,38	4,00	3,04	3,07	2,05	2,50	3,00
9. Cotton, raw	6,15	4,92	3,13	4	—	—	—
10. Motor cars, cycles, scooters, omnibuses, chassis, vans, lorries and parts thereof	12,38	8,70	6,37	9,38	10,25	14,00	13,00
11. Electric lighting bulbs	40	37	28	40	50	50	20
12. Wireless reception instruments and apparatus	93	68	44	58	74	78	70
13. Col-tar dyes and coal-tar derivatives	1,65	90	1,94	2,27	1,71	1,60	1,60
14. Machinery	6,63	5,62	5,32	5,50	7,83	9,00	12,00
15. Iron and steel	4,14	3,21	2,86	2,76	5,05	5,50	6,50
16. Tin, block	1	..	..	..	..	..	..
17. Metals, other than iron and steel, silver and block tin	10	12	11	31	39	48	40
18. Railway plant and rolling stock	80	2,22	2,15	2,14	2,91	2,30	2,70
19. Wood pulp, paper and stationery	3,11	2,59	3,10	2,73	3,93	3,50	2,00
20. Artificial silk yarn and thread	6,38	3,09	4,53	4,80	5,63	7,00	6,00
21. Yarn and other textile fabrics	81	1,57	75	51	91	1,10	1,00
22. Cinematograph films	51	59	48	61	61	60	45
23. Pneumatic rubber tyres and tubes	10	14	14	11	12	70	50
24. Toys, games and sports goods	9	5	7	15	19	20	7
25. Betelnuts	4,75	3,69	4,65	7,33	7,38	7,20	5,00
26. All other articles	39,47	28,94	34,05	55,90	47,57	54,50	49,11
PROTECTIVE DUTIES							
1. Heavy chemicals	95	76	43	1,03	1,11	2,20	2,80
2. Iron and steel	39	41	21	22	27	20	17
3. Metals other than iron and steel	1,59	94	93	96	1,27	1,50	1,50
4. Raw silk	1,05	33	31	47	37	13	15
5. Silk yarn and thread	3	3	1	2	6	8	6
6. Silk fabrics	17	21	8	16	1	3	3
7. Artificial silk fabrics	50	21	44	88	1,67	1,28	11
8. Sewing machines and parts thereof	26	19	14	11	2	—	—
9. Machinery other than sewing machines	..	..	1,17	52	71	1,80	2,50
10. Cycles (other than motor cycles) and parts thereof	2,70	2,21	1,28	1,54	2,18	2,30	1,50
11. All other articles	2,87	2,12	1,14	1,38	2,74	2,12	2,07
DUTIES ON AMERICAN DISPOSALS	28	18	24	15	15	5	—
TOTAL IMPORTS	1,41,59	1,18,07	1,19,60	1,41,06	1,27,98	1,38,50	1,28,10
SEA CUSTOMS—EXPORTS							
1. Jute—							
Raw	59,33	19,43	10,35	†7,66	3,98	3	—
Manufactured	8,00	10,07	5,27	—	—	—	—
2. Raw cotton	8,00	10,00*	5,27	2,61	5,52	2,00	2,00
3. Cotton waste	—	—	—	3,07	2,20	2,00	2,00
4. Cotton cloth and yarn	3,33	5,97	2,93	1,20	88	10	—
5. Manganese	2,08	3,18	3,57	81	10	1,80	3,00
6. Tea	10,20	10,62	11,62	19,74	17,83	19,00	19,00
7. Black pepper	4,46	3,48	2,84	1,36	23	—	—
8. Other agricultural produce	46	43	41	47	50	44	47
9. Iron and steel	15	28	19	5	1	—	—
10. Mica	33	23	20	17	21	22	22
11. Oil and oil seeds	1,52	2,13	73	2,76	3,33	1,60	1,50
12. Oil cakes	—	—	—	—	2,44	40	40
13. Raw wool	—	—	2	—	—	—	—
14. Mercury	78	4	6	—	—	—	—
15. Coffee	—	—	34	1,27	10	5	5
16. Rice	—	—	—	11	—	—	—
17. Coir	—	—	—	1	—	—	—
18. All other articles	—	—	—	8	33	—	—
TOTAL EXPORTS	90,74	55,97	38,53	41,37	37,76	27,70	28,70

* Revised. †Both for Raw & Mfs.

THE YIELDS OF THE PRINCIPAL TAXES

Indian Union Budget—May 1957

(All figures in lakhs of rupees)

	1951-52 Accts.	1952-53 Accts.	1953-54 Accts.	1954-55 Accts.	1955-56 Accts.	1956-57 Revised	1957-58 Budget
Sea Customs—Contd.							
Land customs	3,59	2,72	1,89	1,99	1,38	2,30	2,50
Air customs	16	56	73	1,43	1,99	3,30	3,50
Miscellaneous	1,01	1,31	93	1,34	85	1,20	1,20
TOTAL GROSS REVENUE	2,37,09	1,78,63	1,61,68	1,87,19	1,69,96	1,73,00	1,64,00
Deduct — Refunds	4,49	4,88	2,97	—2,33	—3,26	—2,00	—2,00
NET REVENUE	2,31,69	1,73,75	1,58,71	1,84,86	1,66,70	1,71,00	1,62,00
UNION EXCISE DUTIES							
1. Motor Spirit	2.07	2,11	2,47	9,87	23,05	23,20	26,70
2. Kerosene	26	24	33	93	2,43	2,75	3,00
3. Sugar	8,43	99	14,36	8,36	18,58	20,00	21,50
4. Matches	8,69	9,45	9,32	8,25	10,08	10,00	10,00
5. Steel ingots	55	61	60	67	69	65	65
6. Tyres	6,09	4,40	4,95	5,39	5,53	5,70	5,70
7. Tobacco	35,55	34,68	33,00	31,39	36,46	35,49	35,63
8. Vegetable products	2,45	2,75	2,79	3,13	3,82	3,50	3,50
9. Coffee	77	59	77	98	95	1,05	1,20
10. Tea	4,31	3,46	2,09	3,17	3,17	3,50	4,00
11. Coal cess	1,66	2,42	2,54	2,45	—	—	—
12. Cotton cloth	18,36	13,46	21,67	27,59	28,18	59,58	72,00
13. Artificial silk	—	—	11	49	2,18	80	80
14. Cement	—	—	10	2,11	2,22	2,30	2,60
15. Footwear	—	—	8	82	84	85	90
16. Soap	—	—	16	1,40	1,55	1,60	1,60
17. Woollen fabrics	—	—	—	2	53	60	60
18. Electric fans	—	—	—	5	27	28	28
19. Electric bulbs	—	—	—	1	25	30	30
20. Electric batteries	—	—	—	5	73	80	84
21. Paper	—	—	—	21	2,68	2,95	3,40
22. Paints and varnishes	—	—	—	9	1,01	1,10	1,10
23. Vegetable non-essential oils	—	—	—	—	29	5,00	5,00
24. Refined Diesel Oils & Vapourising Oils	—	—	—	—	16	2,70	3,00
25. Industrial Fuel Oils:							
Diesel oil	—	—	—	—	—	—	—
Furnace oil	—	—	—	—	47	2,15	2,40
Rayon & Synthetic fibres and yarn	—	—	—	—	—	23	90
Motor cars	—	—	—	—	—	27	80
Coal Cess	—	—	—	—	2,38	2,45	2,45
Cess on copra	—	—	—	—	—	8	3
Cess on oil and oil-seeds	—	—	—	—	—	20	20
26. Miscellaneous	42	62	72	1,40	76	55	55
TOTAL GROSS REVENUE	87,61	84,73	96,06	1,10,36	1,49,24	1,90,63	2,11,88
Deduct—Refunds	1,83	1,70	1,08	—2,14	—3,99	—1,90	—2,25
NET REVENUE	85,78	83,03	94,98	1,08,22	1,45,25	1,88,73	2,09,43
CORPORATION TAX							
1. Ordinary collections	39,55	43,18	40,35	37,33	36,33	47,74	50,00
2. Surcharge	7	2	..	—4	3	..	..
3. Excess profit tax	1,03	—45	55	—21	73	25	30
4. Business profits tax	76	1,05	65	25	—5	25	20
TOTAL	41,41	43,80	41,54	37,33	37,04	48,24	50,50
TAXES ON INCOME OTHER THAN CORPORATION TAX							
1. Ordinary collections	1,39,22	1,34,63	2,16,61	1,16,03	1,25,36	1,35,46	1,41,05
2. Surcharge	4,07	6,09	4,94	5,02	4,98	5,50	5,65
3. Excess profit tax	2,44	48	86	90	80	30	30
4. Business profits tax	46	23	43	31	22	10	10
TOTAL	1,46,19	1,41,43	1,22,43	1,22,26	1,68,40	1,41,36	1,47,10

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The Electricity Supply Industry

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The Rationale of Regulation

POWER like transport must get precedence over most of the industries in any developing economy. This strategic importance makes it essential that policy for power ought to ensure that all resources and reasonable facilities needed for smooth and rapid development of the electricity industry—which undoubtedly constitutes the predominant source of power in this country —are made available to it and in any situation no handicaps are allowed to be raised. It is an accepted principle that a public utility like electricity supply should function within a broad framework of legislative regulation. But in actual policy not enough appreciation has been shown that regulation ought to be based on liberal principles which will allow the industry to maintain basic flexibility.

This should be evident from the operation of the Electricity (Supply) Act, 1948, in relation to the undertakings in the private sector. The significance of these undertakings in the economy ought to be plain from the fact that at the present time they are responsible for half of the generation and three-fourths of the distribution of power in this country. Despite the deliberate emphasis on the expanding role of the public sector in all future development of power, the private sector is bound to retain its vital function in the economy. In the second Five-Year Plan, it has been enjoined to find resources for investment of the order of Rs. 42 crores. An examination of the regulation of this industry, therefore, is a matter of considerable importance and easily the legislative controls which have a direct bearing on the financial structure of the industry call for a critical analysis. The purpose of this Blue Supplement is to make a broad analysis of this issue.

The technical analysis which is attempted in the articles that follow centres round the salient provisions of the Electricity (Supply) Act, 1948, and the modifications contained in the Electricity (Supply) Amendment Act, 1956. It is a positive indication of the healthy attitude taken by private electricity supply undertakings that they are fully appreciative of the progressive modifications incorporated in the law by the Amendment Act of 1956. The Standard Rate of Return is no longer pegged to an arbitrary limit of 5 per cent fixed in the Electricity (Supply) Act, 1948. The Amendment Act of 1956 provides a mechanism for the automatic adjustment of the rate to the money market by linking it to the Bank Rate, the precise provision being that the rate should be fixed at a level 2 per cent higher than the Bank Rate. Some measure of overdue relief has been given to the industry by virtue of the provision which lays down that tax savings arising out of the Development Rebate allowed under the Finance Act are to be carried to a Development Reserve. In parenthesis it may be mentioned that the undertakings have been awarded a merited exemption from the radical restrictive measure of compulsory deposit of specified company reserves with the Reserve Bank.

Nevertheless, the fact cannot be disputed that executive policy may undermine reliefs granted to the industry in the supreme interest of flexibility. This point is best exemplified by the queer anomaly whereby the Reserve Bank's rate of interest on advances to scheduled banks was raised to 4 per cent, while the official (or was it notional?) Bank Rate was retained at 3½ per cent. This freak of policy threatened to deprive the industry of the real and tangible benefit of the automatic adjustment of the Standard Rate of Return even before it could become operative on April 1, 1957. The anomaly has since been rectified with the raising of the Bank Rate to 4 per cent.

One most vital financial problem of the industry still remains to be resolved. It relates to the Deferred Tax liability. It has been demonstrated in an exhaustive analysis of this question in the last article in this Supplement that the industry must be enabled to meet this liability by an appropriate legislative provision. In any event, the fullest consultation with the industry is essential to evolve the needed formula. It is a matter of encouragement that this issue is now under active consideration. All regulation of the industry, and regulation in executive policy in particular, must ensure that the investor's confidence in this industry which is now rudely shaken must be restored and fortified.

Revision of the Electricity (Supply) Act

WHILE the general tendency in post-independence Parliaments has been for the legislative process overtaking the needs of a situation, the Electricity Supply Industry is a classic example where there has been a legislative lag. Immediately following the enactment of the Electricity (Supply) Act in 1948, the need for modifying the law to promote a proper regulatory climate was keenly felt. Proposals for amending the law came to be considered as early as 1951, and it took as long as 5 years for the legislative process to be complete in this instance, leading to essential amendments to the principal law by the Electricity (Supply) (Amendment) Act, 1956.

The changes brought about by the new law could be grouped into three broad heads. They cover (1) modifications to the law in relation to the State Electricity Boards; (2) important changes to the financial principles affecting Licensees as are embodied in the Sixth Schedule, and (3) changes which, by and large, govern regulation.

Under the 1948 Act, the provisions governing removal or suspension of the Members of State Electricity Boards were in line with the general provision governing Directors' disqualification in a typical Company's Articles of Association. These have now been brought in line with analogous provisions in the Damodar Valley Corporation Act, 1948. Under the new Act greater powers of control over the Boards are vested in State Governments.

A State Electricity Board could prepare, on its own, schemes without any monetary limit under the old Act, but a restriction has now been placed in that no scheme or part of a scheme estimated to result in a capital expenditure exceeding Rs. 15 lakhs shall be prepared by the Board without prior consultation with the State Government. There has also been a loosening of control by the Central Electricity Authority in that the limit of capital expenditure on the schemes which can be now sanctioned by the Board without consulting the Central Electricity Authority has been raised from Rs. 50 lakhs to Rs. 1 crore.

Under the Electricity (Supply) Act, 1948, the State Electricity Boards are subject to income tax, but the law in tabulating the priority of liabilities of the Boards had made provision for a number of disbursements which would have left no "profit" liable for tax. The amending Act of 1956 has stipulated that taxes on income and profits should have priority after the operating and management costs have been met. The other statutory distributions can only come thereafter.

Under the principal Act a State Electricity Board was enjoined to maintain "such proper books of account and other books in relation to its accounts as the regulations may require". This provision has now been stiffened by the Board being called upon to keep proper accounts and other records, including a proper system of internal check. The Boards are also to prepare accounts, including the profit and loss account and the balance sheet "in such forms as may be prescribed by the State Government in consultation with the Comptroller and Auditor-General of India." The accounts of the State Electricity Boards are now to be audited by the Comptroller and Auditor-General of India or by such person as he may authorise in this behalf.

An additional obligation imposed on the State Electricity Board is that, while submitting to the State Government the annual report, an account is also to be given to the Government of the activities, if any, which the Board is likely to undertake in the next financial year.

By a new Section, the State Government is empowered to issue directions to the Board on questions of policy. If any dispute arises between the Board and the State Government as to whether a question is or is not one involving policy, provision has been made for the dispute being referred to arbitration by the Central Electricity Authority.

Under the amended law, general consumers of electricity are to have representation on the State Electricity Consultative Council.

These changes are intended "to ensure the co-ordination of development policies of the State Electricity Boards with those of Government Departments." The 1948 Act having proclaimed that it is semi-autonomous bodies such as Electricity Boards which are suitable for furthering development, it may be that the supervisory powers now vested in State Governments may cut across the original idea. The provisions in the Act with regard to Electricity Boards have remained unimplemented in most of the States, and it is therefore too early to say whether greater powers of control now vested in State Governments will promote or retard the development of electric power.

It is vital to refer at this stage to the changes in the law which are primarily of a regulatory nature. Under the 1948 Act, the State Government or the State Electricity Board, as the case may be, was empowered to issue directions to Licensees "for the purpose of achieving the maximum of economy and efficiency in the operation of the Station." This power of direction has now been extended to cover the undertaking or part thereof. To safeguard against abuse, it has been stipulated that the 'directions' given should be 'reasonable' and then again any disputes arising under the Section are subject to arbitration by the Central Electricity Authority.

Under the 1948 Act the Electricity Boards had powers to issue directions in regard to the amortization and tariff policies of Local Authority Electric Supply Undertakings, these undertakings being exempt from the financial provisions which apply to undertakings in the commercial sector. This power has now been circumscribed by a specific provision that the Board shall not issue any directions except after obtaining the prior approval of the State Government. This change has for its background the interests State Governments have in the financial policies of Local Authorities.

The Electricity (Supply) Act, 1948, when it fixed a limit on the return permitted to the investor, had also provided that the Licensees shall be free to adjust their rates to consumers in such a way as to enable them to earn the Reasonable Return, notwithstanding any limitations imposed by their licences. During the brief period the Act has been in force, one High Court had taken the view that the Act has not been explicit about Licensees' rights. The situation has now been rectified by the amending Act making it clear beyond doubt that the powers of Licensees for adjusting rates include enhancement of rates irrespective of the limits imposed by the Licence.

The power of the State Government or the State Electricity Board to enforce a Rating Committee under the principal Act operated as a deterrent against licensees adopting suitable tariff policies within the framework of the Act. A Rating Committee could previously be constituted if the regulating authority was "satisfied" that the Licensee had committed a breach of the provisions of the Sixth Schedule — a "discretion" which was regarded as "subjective". To adjudge a person guilty without indicating the grounds in that behalf offends against the established postulates of law. The 1956 amending Act has, therefore, made it obligatory for the State Electricity Board or the State Government, as the case may be, to give to the Licensee a "show cause" notice before the appointment of a Rating Committee and then again, if the issue or issues cited raise disputes, they are first to be arbitrated upon by the Central Electricity Authority. This equitable provision should introduce an element of stabilisation in rate-making policies of Electricity Supply Undertakings.

The composition of the Rating Committee has been improved upon. Under the 1948 Act, in the States where Electricity Boards have been constituted, the Rating Committee, when one was constituted, comprised two members of the Board, who, in turn, co-opted one representative from the Licensees' Association. With the Board initially determining whether or not a Licensee has committed a breach of the provisions of the Sixth Schedule, the recommendations of the Rating Committee (with majority representation for the Board) would in all probability not be different. The amending Act has, therefore, provided that the Board should not have more than one representative on the Rating Committee. The result is that, of the three members of a Rating Committee one is to be a judicial member (who is also to be the Chairman) to be appointed by the State Government, the other a member of the Board having experience of accounting and financial matters and a third a representative from the Licensees' Association jointly co-opted by the two members earlier mentioned.

A large part of the amending Act deals with changes in the financial principles affecting Licensees. Under the Principal Act a Licensee could not be considered to have violated the provisions of the Sixth Schedule if the clear profit did not exceed the reasonable return by more than 30 per cent. This margin was considered a necessary safeguard against Licensees being faced with the charge of violating the provisions of the Sixth Schedule if by chance they exceeded the limit of the Reasonable Return. Of this margin, one-third, subject to a ceiling of 7½ per cent of the Reasonable Return, was to be at the disposal of the undertaking as a premium on efficiency. The margin has now been limited to 15 per cent and the Licensee's share remains at one-third subject to a ceiling of 5 per cent of the Reasonable Return.

Deposits made by consumers against Bills were, where invested in the business, permitted to be included in the Capital Base under the 1948 Act. Such funds are now to be deducted from the Capital Base.

Under the principal Act interest on loan capital was permitted as an operating expenditure. The amending Act has laid down that such interest is not to be charged to revenue.

Interest on capital expenditure incurred from borrowed money was permitted to be capitalised under the 1948 Act. Such capitalisation is now restricted to new Licensees. This should not impinge existing Licensees seriously as under a case law established by the Central Electricity Authority in an arbitration, works-in-progress either at site or at manufacturers' works are permitted to be included in the Capital Base, thus ranking to earn the Reasonable Return.

Against these restrictions must be set the increase in the Reasonable Return consequent to the linking of the "Standard Rate" to the Reserve Bank Rate with a differential of 2 per cent.

The amending Act has also brought out clearly that no limitation on dividend or distribution of profits is intended in cases where the depreciation set aside for the year includes the normal component for the year and the equated instalment in respect of arrears, if any.

Another incentive feature of the amending Act is that the Electricity Supply Industry has been enabled to take the benefits of the Development Rebate permitted under the Finance Act of 1956. The "benefits" are, however, subject to certain limitations. The Reserve is available only for investment in the business. No return is permitted on the Reserve so invested, and on the purchase of the undertaking, the Reserve is to be handed over to the purchaser and maintained as such Development Reserve. The Licensees are also permitted to earn ½ per cent return on the accumulations in the Development Reserve as handling charges of the Fund.

An apprehension entertained by the Industry in connection with the Development Reserve was that the obligation to appropriate to the Reserve may encroach upon the Reasonable Return in case of inadequacy of the return. This difficulty has been met, first, by Licensees being permitted to reduce the appropriations to the Reserve to the extent of the shortfall in the Reasonable Return, and, secondly, by the permission granted to spread over the appropriation, if need be, over a period of five years.

The amending Act of 1956 has to a large extent sought to improve upon the provisions of the principal Act, both in respect of the Industry and the consumer. The paramount need for making provision in the statute enabling undertakings to build up a Reserve for meeting Deferred Tax liability (which forms the subject of an exhaustive analysis in another article in this Supplement) was very near to being achieved when this law was amended in 1956. It can only be hoped that there will be a greater understanding of the Industry's difficulty when this issue again comes up for presentation to the authorities.

State Electricity Boards

THE Electricity Boards visualised under the Electricity (Supply) Act, 1948, are charged with the function of co-ordinated development of electricity in India on a regional basis. Apart from this main function, these Boards are also vested with powers of price control in relation to Licensees.

At present five State Electricity Boards—Bombay, Delhi, Kerala, Madhya Pradesh and West Bengal—are functioning and indications are that by 1st July, 1957, almost all the remaining States will have constituted the Boards.

There is increasing recognition that industries in the Public Sector should be run strictly on a commercial basis, as otherwise there is danger of the price policies of such industries being used as a device for transferring income from one section of the community

to the other without Parliament giving due regard to such policies.

In the case of the State Electricity Boards, the law provides that they "shall not, as far as practicable.... carry on operations under the Act at a loss". It is of vital importance to assess how far this direction has been successfully implemented by the Boards which have for some years been in existence.

The Delhi State was the first to constitute the Electricity Board under the law. The Board came into existence on 20th March, 1951, and took over the entire Electricity Supply undertaking of the former Delhi Central Electric Power Authority Ltd., a private company limited by guarantee, as from 1st April, 1951. The record of the Delhi Board's activities has since then been embodied year after year in the Administration Report of the Ministry of Irrigation and Power, and it has only been for the financial year 1955-56 that the Report and Accounts of the Board are available in some detailed form.

During the year 1955-56, the Delhi Board grossed a revenue of Rs. 184.71 lakhs with a net surplus of Rs. 20.97 lakhs. This comparatively fortunate position is largely due to the Board's area of supply having a per capita consumption of 109 units per year—the highest overall per capita consumption among all the States. This distinctive feature is attributable to the composition of the area of supply. In contrast, the Electricity Boards in other States have large rural areas and extending electricity supply service into such areas is obviously not economic.

The State Electricity Boards have the advantage, denied to an undertaking supplying power to a specified area, of being able to use the surpluses from some of the urban loads of major schemes to buttress rural supplies, but this remedy is not a complete answer to the very low yield which can be derived from rural schemes for a number of years.

This difficulty is forcefully illustrated in the Administration Report of the Bombay Electricity Board (pre-State reorganisation entity) for the year 1955-56 leading to the Board taking the view that "unless the State Government is prepared to assist the Board by either offering capital subsidies or long-term interest-free loans or in some other acceptable form, the Board will not be able to consider any further schemes." So situated, the Bombay Board had to face a net deficit of Rs. 23,66,982 for the year.

The financial results of the West Bengal Electricity Board (constituted with effect from 1st May, 1955) for the year 1955-56 are still awaiting the State Government's approval, but tentative working results indicate a net deficit for the year of Rs. 10.74 lakhs. During 1956-57, this deficit is expected to increase to Rs. 14,86,200 in view of the prospect that "the revenue receipts for the new supply stations under commission or likely to be commissioned very soon under the Scheme are not sufficient to cover even the bare maintenance expenses, not to speak of depreciation and interest charges as the lines are constructed in remote places where development of load growth is comparatively slower". It will be some time before the financial results (in commercial form) of other Boards already in being and of those which are to be constituted shortly, will be available, but the patent fact which needs to be reckoned with is that as the Board's operations extend further afield greater deficits are likely to be faced at least for a few years to come. The hard core of the problem is that to sustain and develop rural electrification subsidy in one form or another is inescapable. This stark reality applies with full force to all agencies supplying power, be they licensees, State Departments or State Electricity Boards.

The Deferred Tax Reserve

BY

R. P. AIYER

THE concept of accelerated depreciation for corporate income-tax purposes as an instrument enabling industry to mobilise new capital for expansion has come to stay. This has, however, given rise to complications in respect of the Electricity Supply Industry in the country. This complication arises from diverse provisions with regard to depreciation between the Indian Income Tax and the Electricity (Supply) Act which give rise to Deferred Tax liability.

It is apparent that the financial working and profits of undertakings subject to the Electricity (Supply) Act are controlled by that Act within narrow limits. The financial code embodied in the Act has limited the Reasonable Return to a percentage of the Capital Base. While the concept of fair return is to be judged by the financial situation faced by the industry at a given time, it is only proper that this Return should be free of encumbrances or reduction by way of liabilities directly resulting from diverse provisions in law and outside an undertaking's control.

The Electricity (Supply) Act specifies two alternative methods of depreciation with the effect that the written down value of an asset is never lower than 10 per cent of the original cost. The Income Tax Act, on the other hand, specifies a third method of depreciation by which the written down value of an asset may be reduced to an infinitesimal fraction. The resultant written down values for a typical item of plant are shown in Graph A and it will be observed that during the life of an asset there is a difference (some times considerable) between the two written down values under the E.S. Act, on the one hand, and the Income Tax Act, on the other. Furthermore, the former always remains higher than the latter.

(Note: As indicated, in the case of the E.S. Act, 10 per cent of the original cost is not depreciated at all, vide Clause VI(1) of the Sixth Schedule to that Act. For this reason the written down value under the E.S. Act is never lower than 10 per cent of the original cost.)

The great disparity between the written down values under the E.S. Act and the Income Tax Act results from accelerated depreciation granted under the latter Act particularly in the early life of an asset. This accelerated depreciation was granted by the Government as a means of reducing taxable profits (and thus also the 'tax payable') in the early life of an asset 'so that funds would be provided for accelerated industrial development in the country's expansion plans.' Reference may be made to Graph B which sets out (in respect of the typical asset) the two kinds of annual depreciation allowances under the E.S. Act, and the annual depreciation allowance under the Income Tax Act. In each case it will be found that the successive amounts of yearly depreciation deducted from the original cost produce the written down value curves in Graph A.

In the long run, however, the total depreciation must be the same, i.e., the difference between the original cost and the residual value.

The effect of the above is that the consumers are charged,

(a) the depreciation in accordance with Graph B (under Clause XVII (2) (b) (x) of the Sixth Schedule to the E.S. Act), 'but at the same time also get the benefit of',

(b) the lower taxes resulting from the depreciation in accordance with Graph B (under Clause XVII (2)(c)(ii) of the Sixth Schedule to the E. S. Act).

If it is assumed that, (a) being a more evenly graduated allowance for depreciation during the ordinary life of an asset, it is more suitable as a charge to consumers, then the effect thereof on taxes ought to be considered.

Reference may now be made to Appendix C, wherein is set out for comparison in figures the relative depreciation and written down value under the E.S. and Income Tax Acts. For simplicity only one method of depreciation (the compound interest) under the E.S Act has been quoted; the alternative method (the straight line) does not involve any very great difference as will be seen from the comparison of the two relevant lines in Graph B.

Proceeding now to an examination of taxes payable, reference may be made to Appendix D wherein the addition of the same typical asset to a Licensee's block is discussed in relation to a notional Profit P. It is reasonably assumed that in the event of the sale of an asset or upon acquisition the least that a Licensee may expect to receive would be the written down value according to the E.S. Act.

It will be observed from Appendix D that the amount of Deferred Tax (at Rs. 219.30) is very high relative to an original cost (Rs. 1,000) of the asset added. So far there has been inadequate appreciation on the part of the authorities of the extent to which such Deferred Tax has accumulated since the introduction of the E.S. Act. It is true, and indeed it becomes obvious on reference to Appendix C, that the Licensees most affected are those who, despite the profit restriction imposed by the E.S. Act, are achieving expansion in the national interest. As to the accumulation of Deferred Tax, relative to present nett block, reference is suggested to Appendix E (which reflects figures in respect of certain typical companies).

The figures in column 5 of Appendix E show the extent to which the Deferred Tax liability has so far accumulated. It is difficult to see what can be done about the past, but liabilities to the extent indicated which would arise upon sale or acquisition should not be ignored. They represent liabilities which should properly have been recovered from consumers, for it is palpably unfair that a Licensee should have to bear them upon sale or acquisition, when, as pointed out above, they arise from the very rate of expansion undertaken in the national interest. At least a start should no longer be delayed to set the matter right.

Thus the seriousness of the position does at least fairly and reasonably demand that such liabilities should be recovered from consumers 'as they occur in future'. For this reason the creation of a Deferred Tax Reserve becomes essential. It arises purely because of the different systems of depreciation described, and accordingly it should be calculated in relation to depreciation, and not to clear and income-tax profits. Appendix F shows the appropriate method creating the Reserve.

It has been said that since the Deferred Tax arises primarily in the case of expanding undertakings, the resultant increased profits would cover the deferred tax liability. This is a misconception inasmuch as it ignores the tight control of profits implicit in the scheme of the 1948 Act. Under the Amendment Act of 1956, the maximum of any surplus profit which a Licensee may retain is 5 per cent of the Reasonable Return which in turn is to be (for the time being) 5 per cent of the Capital Base. The maximum retainable surplus would be 0.275 of one per cent of the Capital Base. Appendix G shows examples of the inadequacy of this in relation to current Deferred Tax liability. It must be remembered also that the profits of many undertakings are at or below the Reasonable Return and that these concerns have no surplus at all.

It may be that the misconception has arisen because it is known that taxes are allowed as an expense before calculating the profits. But if the profits are fixed by law as a percentage of capital employed in the business from time to time (which is an increasing quantity) and if the taxes are recoverable from the consumer (also in increasing quantity), the assumption cannot be maintained that increased profits will cover the Deferred Tax liability. What might be assumed that 'reduced costs' would cover it, but this is likely to be erroneous. As everyone knows, costs have developed a continuously rising tendency in recent times which even increased efficiency and increased utilisation cannot altogether counter. Despite taxes being allowed as an expense, an undertaking's return is statutorily limited and any excess is confined within the narrow limit described above.

The question of Development Rebate and the tax saved thereby has been entirely excluded from this analysis. This is because this matter has been already dealt with in the 1956 Amendment Act and is, in any event, in essence a separate matter.

The following is an extract from Volume II (at page 115) of the Report of the Taxation Enquiry Commission 1953-54 set up by the Government of India:

"The Electricity (Supply) Act, 1948, contains detailed provisions regulating the maintenance of accounts by electricity undertakings, and the basis on which they can charge consumers for the current consumed. One of the provisions is that depreciation is to be charged either on a straight line basis or on a compound interest basis, so that, by the end of the estimated life of the asset, an amount of 90 per cent of its original cost is accumulated. Another is that the charge to the consumer has to be periodically adjusted so as to leave to the undertaking only a clear profit of five per cent of the capital base 'plus' income from investments.

"This gives rise to various difficulties. In the first place, the Electricity (Supply) Act does not provide for initial and additional depreciation. Consequently, in the first few years after the installation of new machinery, the book profits would exceed the assessable income while the position would be the reverse in later years. At the same time, the charge to consumers has to be adjusted with reference to the book profits.

industry is also now being made with a view to determining the quantum of loan for each unit.

PROJECT PLANNING

Since project planning is the most essential function of the Corporation, it has to enlist the services of experts at diverse levels. It is now processing projects for the establishment of steel foundries, forges and fabrication of steel structurals. The second Five-Year Plan provides for a heavy foundry and forge project for the manufacture of heavy castings of iron and steel as well as heavy forgings weighing up to 20 tons or more apiece which are now being imported. The NIDC has now proposed to take up this project. Competitive quotations together with detailed project reports are being awaited from three foreign firms and final decisions will be taken when these are received. It will also set up capacity for fabricating certain categories of structurals near the steel plants. To eliminate the dependence of the country's growing rayon industry on imported wood pulp, its basic raw material, as also to help the growth of the newsprint industry, the Corporation is investigating a project for the manufacture of wood pulp. A foreign technical team has completed its survey and made a preliminary report. The foreign firm, which has sent the team, is now conducting experiments on selected Indian raw materials which have been sent to them.

So far as the project for the production of synthetic rubber based on utilisation of alcohol is concerned, the report of the team of experts from four well-known American companies in this field is favourable and the scheme seems to be under further consideration. Apart from these, the manufacture of carbon black, sulphur from pyrites, printing machinery, air compressors and fractional horse power motors and refractories are also under detailed investigation. Besides, rolls and rolling mill equipment required in ferrous and non-ferrous industries and manufacture of heavy equipment for earth-moving, mining, etc., are also within its purview.

Recently, the Government have decided on two important projects to be undertaken by the Corporation. One is for the establishment of a newsprint factory at Shakarnagar near Hyderabad with a capacity of 30,000 tons per annum and the other for setting up an aluminium plant at Mettur in Madras State with a capacity of 10,000 tons per year. Government have also decided to set up central capacity for the manufacture of primary intermediates so essential in any development programme for the dyestuff industry. A decision regarding the exact scope of the NIDC project and the manner of its execution will be taken after the programme of the various firms already in the field is clearly known.

SHORTAGE OF RESOURCES

The NIDC has thus taken on itself a large volume of work and naturally the question of resources assumes great importance. With about Rs. 20-25 crores set apart for modernisation of the cotton and jute textile industries, a sum of about Rs. 30 to Rs. 35 crores will alone be available for pioneering new basic and heavy industries. It means that the Corporation has to draw up priorities in regard to projects for implementation that will meet the pressure on the limited funds available. The Planning Commission itself has conceded that the Corporation may need more resources than have been allotted to it and has stated that the extent of the gap between the resources actually required and the provision of funds now proposed will ultimately depend on the pattern of financing adopted and the size of the Government's holding in the overall investments in the various projects.

More than funds, perhaps the real difficulty may lie in the shortage of technical personnel. It is patent that the country does not have the requisite number of capable technicians who have to process the different ventures. In the investigations that are in progress, wherever necessary, assistance is taken therefore, of foreign firms and experts and it is obvious that greater efforts may be required to obtain the services of more and more foreign technical personnel if the Corporation is to produce any satisfactory results.

Another factor to be borne in mind is that the Corporation should enlist the co-operation of private business if its objective to fill the gaps in the industrial structure is to be fulfilled. Correspondingly it entails an obligation on the part of private entrepreneurs to state their case fully and allow the Corporation to go ahead wherever they feel they may be unwilling to take risks. Finally it must also be emphasised that since the NIDC will have its eye on the third Five-Year Plan in the process of investigation of schemes relating to the manufacture of heavy machinery or schemes directly related to it, it must realistically face its commitments and limit its area of operations so that it may remain within manageable proportions.

Industrial Credit and Investment Corporation

THE launching of the Industrial Credit and Investment Corporation as a privately-owned and privately-managed limited liability company in January 1955 may be deemed an experiment in international investment which was much needed in this country. Its major objective is to give assistance to industrial enterprises falling within the private sector of industry.

The distinctive feature of the Corporation lies in the mobilisation of international finance as can be seen from the following facts. Out of the subscribed capital of Rs. 5 crores (the authorised capital being Rs. 25 crores) Rs. 0.5 crore has been subscribed by American investors who include the Bank of America, Olin Matheison Chemical Corporation, the Westinghouse International Corporation and Rockefeller Brothers. The British share of the subscription of Rs. 1 crore has been provided by eight eastern exchange banks, 12 insurance companies, the Commonwealth Development Finance Company and two industrial companies having interests in India. The balance of Rs. 3.5 crores forms the Indian share of which Rs. 2 crores go to institutional investors and Rs. 1.5 crores for the public. In the capital of the Corporation, therefore, the U.K. takes 20 per cent of the total share and the U.S. 10 per cent, leaving to India the remaining 70 per cent.

WORLD BANK LOAN

More interesting is the fact that the International Bank for Reconstruction and Development has sanctioned a loan of $10 million (Rs. 4.72 crores) for the Corporation. In addition to this, the Government of India has given it an advance of Rs. 7.5 crores. It is to be free of interest and is repayable in 15 equal instalments beginning after the lapse of 15 years. The significance of the advance lies in the fact that this money has been found from counterpart funds derived from the proceeds of the sale of steel supplied by the Foreign Operations Administration of the U.S. under the Indo-American Technical Co-operation Agreement. It is certainly a step in the right direction that the counterpart funds should be utilised for nation-building activities. This fact has to be borne in mind because of criticism in the earlier stages in Parliament itself questioning the propriety of placing at the disposal of a private-owned corporation Government funds without any interest charge. The Finance Minister rightly defended that though the proceeds were applied to the finances of industrial enterprises which are privately-owned, they conformed to the pattern of approved development satisfying the required test at the licensing stage. What is more important, which has silenced the critics, is that the remission of interest which the Government has granted would enable the Corporation to advance loans at 1 per cent below the rate it would otherwise have been required to charge.

Another feature of the Corporation is that it has undertaken to ensure that no group of industrialists or companies will be allowed to capture a dominating part of its total shares and thus prevent its independent character. The management is in the hands of a Board of eleven Directors and of these, seven represent the Indian shareholders of the Corporation, two the British and one the American while the eleventh Director is nominated by the Government of India. The Government of India has retained its right to nominate one person so long as any part of the Government's loan remains unpaid. It also retains the right to apply for the liquidation of the Corporation if default is committed in payment of the loan instalments or if the Corporation's capital is impaired beyond tolerable limit considered reasonable in the course of business. These are not only adequate safeguards for prudential use of the interest-free loan, but, what is of greater significance, it means that Government will be in a position to exercise effective control over the activities of the Corporation whenever it feels that they do not subserve the objective for which the institution has been started.

OBJECTIVES AND ACTIVITIES

The purpose of the Corporation, as already mentioned, is to assist industrial enterprises within the private sector of industry. This it will do either through providing finance in the form of loan and equity participation or through sponsoring and under-writing new issues of shares. It will also help by furnishing managerial, technical and administrative advice and services to Indian industry. The functions of investment, lending or underwriting will be exercised within the framework of a dynamic policy depending on circumstances and the type of industry that requires such help. Ever since its inception, the Corporation has received a continous flow of enquiries covering a wide range of industrial activities and coming from all parts of India. The industries which the Corporation has agreed to assist so far include the manufacture of paper, electrical equipment, fuel injection equipment, chemicals and equipment for the textile industry, refining of sugar and metal ores and cotton spinning. Since the Corporation examines all aspects of a project for the establishment of a new industry or the modernisation or expansion of an existing one before it agrees to give assistance, there is inevitably a time-lag between the receipt of an application and the disbursement of funds.

It is necessary to mention here a recent development that has had its effect in the structure of the capital of the Corporation. As a result of nationalisation of insurance the Government now owns nearly 18 per cent of the Corporation's share capital, a figure that represents the value of the Corporation's share held by the issurance companies now taken over by the Government. Now, the Corporation is wholly a private-owned business and it was on that basis that the co-operation of the various parties in the U.K. and U.S. and the World Bank was extended to it. Consequent on the nationalisation of insurance, Government have become its largest single shareholder. However, Government have assured the Company that they have no intention of taking advantage of their 'adventitious position' in this regard to influence the day-to-day working of the Corporation. This assurance should go a long way in allaying any fears that the Board of Directors might have entertained with regard to the position of the Government vis-a-vis the Corporation. The Corporation has come into existence at a crucial stage in the economic development of the country. Its potentialities are undoubtedly great and likewise there are reasonable hopes that conditions for stability would be assured for its smooth functioning.

International Finance Corporation

THE formation of the International Finance Corporation in July 1956 marks an important development in post-war economic co-operation. The World Bank has been in operation for a decade and its valuable experiment has stimulated practical interest in international financial assistance. But the World Bank has its own limitations of functions, operating as it does at the Government level. The idea of an international finance institution functioning at the private level was mooted long since, but three years of discussion, suspense and hesitation had to pass before it could be endorsed and taken up for active formulation. There was hardly any divergence of view on the proposition that the flow of international capital for development must be secured primarily from private sources and an effective way to encourage it was to launch co-operative action. Since the United States is the biggest exporter of capital its attitude was bound to influence efforts to set up an international organisation. Happily, it gave a firm lead in this matter too which induced other countries to follow suit. India signed the Articles of Agreement of the Corporation in October 1955 and deposited the Instruments of Acceptance immediately thereafter.

CAPITAL STRUCTURE AND DICTINCTIVE CHARACTER

The Corporation's initial authorised capital of $100 million (Rs. 48 crores) has been divided into 100,000 shares of equal value. It was a condition precedent of its formation that a minimum of 30 countries must subscribe to an aggregate share capital of $75 million. The table at the end of this article sets out the membership and the share of each member in the capital as on August 10, 1956. In all 32 member-governments contributed to a total of $78.4 million until that day. Since then 15 more countries which have joined it have brought a further capital subscription of $11.6 million making a total of $90 million. The Corporation's Board of Directors has been vested with authority to invest the authorised capital up to an additional 10 per cent to accommodate new-comers as well as the growing volume of demand for investment. The original members enjoy priority right to subscribe to the increased capital in proportion to their share holdings.

The Corporation has a positive relation with the World Bank which, however, does not detract from its

individuality. Its membership is open only to member governments of the World Bank and the rate of subscription to the capital is based on the ratio of its subscription to the World Bank. Executive Directors of the World Bank representing a minimum of one government which is also a member of the Corporation are entitled to serve on the Corporation's Board of Directors. The World Bank's President will be the ex-officio Chairman of the Corporation's Board of Directors and will have the right to recommend the choice of the Corporation's President. To this extent the Corporation will be an affiliate of the World Bank, but no further.

The Corporation, however, possesses a distinctive personality. It is an independent legal entity and is entitled to function under the authority of its own charter. Affiliation with the World Bank has secured for it a solid base of activity, especially in the less developed countries, but it does not in any manner infringe on its independent status. Membership of governments has a restricted implication. In its operations at all levels it will function in the sphere of private enterprise. Undoubtedly, one of its characteristic factors will be that it will ask for no guarantee from any government for loans advanced to borrowing concerns within its national frontiers.

POLICY FOR ESSENTIAL CO-OPERATION

The basic objective of the Corporation is to promote economic development, active assistance and encouragement to productive private enterprises and the bias of its investment operations for a considerable time to come will be towards assistance to under-developed and backward member countries. Since productive investment is to be the hall-mark of its policy it will insist on satisfactory proof of the production potential of the enterprises asking for assistance. But apart from offering its own resources it will co-operate in widening the range of participation in the capital exporting as well as importing countries and strengthening the base of co-operation between domestic and foreign private capital. It will be no part of its policy or function to arrange for the supply of technical know-how.

Alongside its investment operations its major activity will be to serve as an agency in facilitating procurement of experienced management. The sponsors of the Corporation have a firm conviction that management is a fundamental factor for the success of any enterprise—a factor which is in fact much more important, and also more scarce, than capital. Due to historical traditions the management patterns in less developed countries had inevitably to adhere to the pattern of family proprietorship and management. Modern business and industrial enterprises with their complex character and the vital need to absorb technological improvements to maintain their dynamic nature must of necessity adopt up-to-date techniques in management. The Corporation believes that it should be of assistance in promoting professional management as an essential of private enterprise in the less developed countries. Management on modern business principles is bound to raise standards of business efficiency which in course of time cannot fail to produce a healthy effect on the attitudes of the public as well as the political leadership towards private enterprise.

The resources of the Corporation are meant to be used for the promotion of economic activity in developing countries. This purpose does not exclude under strict interpretation the possibility of assistance to private enterprise in relatively advanced countries. But the Corporation's policy in practice will be to confine its operations in the intervening period which is bound to be of a long duration, to the less developed member countries. Investment in industrial, agricultural, financial, commercial and other enterprises in allied spheres is perfectly within its jurisdiction. Nevertheless, in view of the crying need for industrial finance and the limited initial authorised capital of the Corporation of the order of Rs. 48 crores, its functions will be restricted predominantly to industrial enterprises. Basic public utilities, even though owned and managed by private enterprises, such as transport, electric power, reclamation, and so forth, will be kept out of the purview of its activities. This is because of the obvious fact that they are proper subjects of assistance from the World Bank and in reality several private enterprises of this description have actually received finance from the World Bank over the last ten years.

CRITERIA FOR ASSISTANCE

In judging the eligibility of an applicant enterprise the character of government's participation in ownership or management will be a primary test. Enterprises which are predominantly private-owned but in which the government has a dominating share in management will not be eligible for assistance. On the contrary, minor participation of the government in ownership will be no bar to the Corporation's help, provided the enterprise is essentially private in its ownership as well as management. The formal test of eligibility, however, will be that the enterprise asking for assistance should contribute on its own a majority share of the funds needed for fresh investment at least in excess of fifty per cent of the required amount and the balance should not be available from other sources on reasonable terms. The new investment must be of a minimum amount of US $500,000 (Rs. 24 lakhs) and the size of the assistance required must be $100,000 (Rs. 4.8 lakhs) in the minimum.

The sole restriction on the types of investment which the Corporation can undertake is that it will not directly invest in capital stock or shares. The normal form of its investment will be by way of loans, but distinguished from the conventional form of loans stipulating the entire return in terms of fixed interest. A substantial part of the investment will be in venture capital. Ordinarily investments will take the form of convertible debentures together with a positive form of interest which will confer on the Corporation a right to obtain capital stock or shares. The terms of the investment will provide for part of the return in the form of a share in profits in addition to interest. The specific terms of participation in profit will be governed by the merits of each case.

Since the Corporation is precluded by its charter from making direct investments in share capital, the rights which it will acquire to participation in capital stock or shares cannot be exercised on its own. But they will be sold to foreign or domestic investors. Profits earned on successful investments will be of value in building reserves and cancelling out possible losses. The right to obtain share capital and convertible debentures is the key to the Corporation's investment policy. It is a basic objective of the Corporation to promote co-operation between foreign and domestic private investors. To this end the Corporation's investments will be placed on a revolving basis which implies that as soon as an enterprise is put on a sound operating basis the Corporation's interest will be transferred to investors and funds will be released for help to other enterprises. The Corporation's participation and the technique of revolving investment are expected to enlarge the area of international collaboration.

The funds which the Corporation will be prepared to invest will be available for use freely by the borrowing enterprise and will not be restricted to the requirements of the enterprise in terms of foreign exchange. In view of the top importance which this Corporation attaches to management, rigorous tests will be applied in judging this aspect of the applicant's enterprise. Their management must be of acceptable standards of competence and experience. In addition, proof ought to be forthcoming of their stake in the enterprise in the form of risking their own capital and their business reputation. The Corporation will not accept direct responsibility for the management although its consultation will be essential for any changes in the management of the beneficiary enterprise. It will, however, undertake to find managerial personnel in appropriate cases. It may seek safeguards for its investment in the form of representation of its interests on the Board of Directors. The Corporation will not ask for government approval of its projects of investment except in so far as the national law requires it. But when a government objects to any investment, it will refrain from it.

CLIMATE FOR INVESTMENT

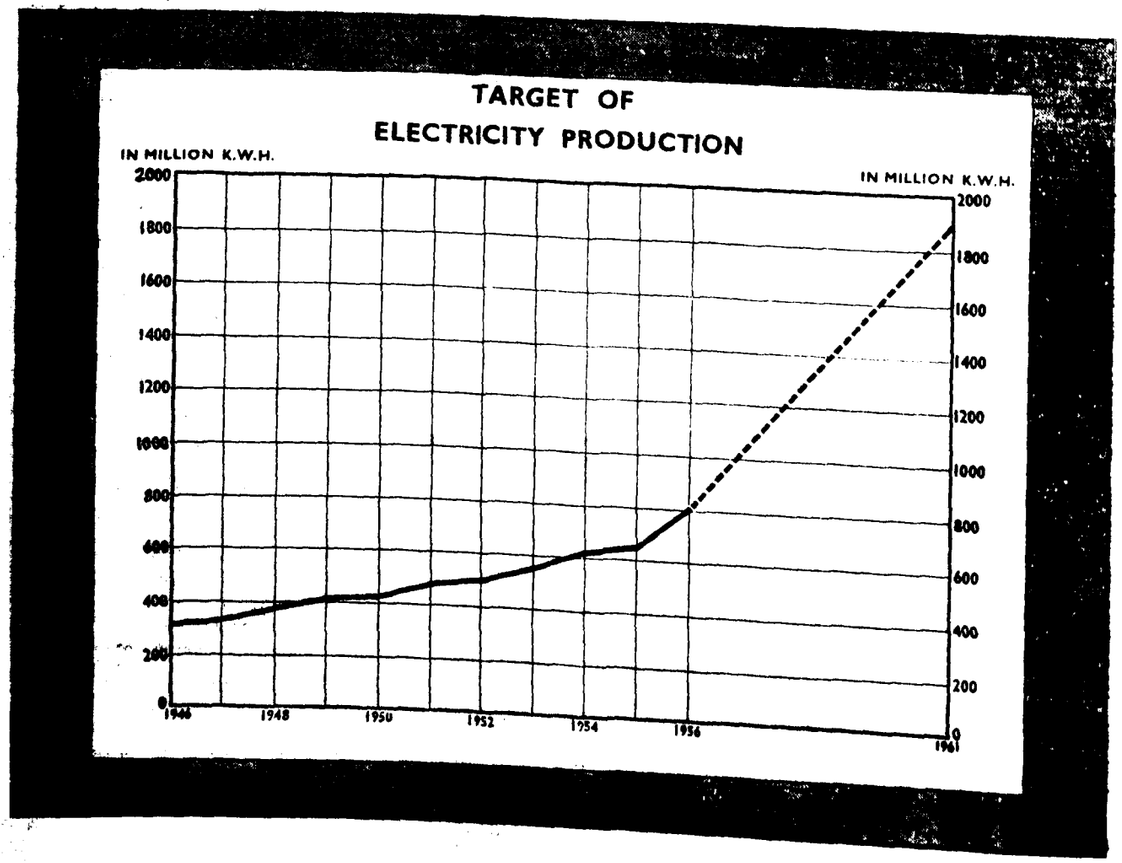
In view of India's interest in inviting foreign private capital for industrial development, she would welcome expansion of the activities of the Corporation. Positive clarification of the approach with which it would treat requests for assistance is now available from public addresses of its President, Mr. Robert Garner, as also from the literature it has released for information. Since the Corporation would desist from leaning on the backing or guarantees of the governments of the participating countries in its operations it lays itself bare to normal business risks. Its approach to proposals for co-operation cannot but be governed by strict business principles and practices. The basic requirement which countries seeking its help have to satisfy is the creation of a climate suitable for the flow of foreign capital. Business leadership can undoubtedly contribute to the creation of such a climate by maintaining and raising standards of performance. But investor's confidence is a psychological factor which is susceptible to varied influences in other spheres. It is in these spheres that a climate of confidence must be sustained and improved.

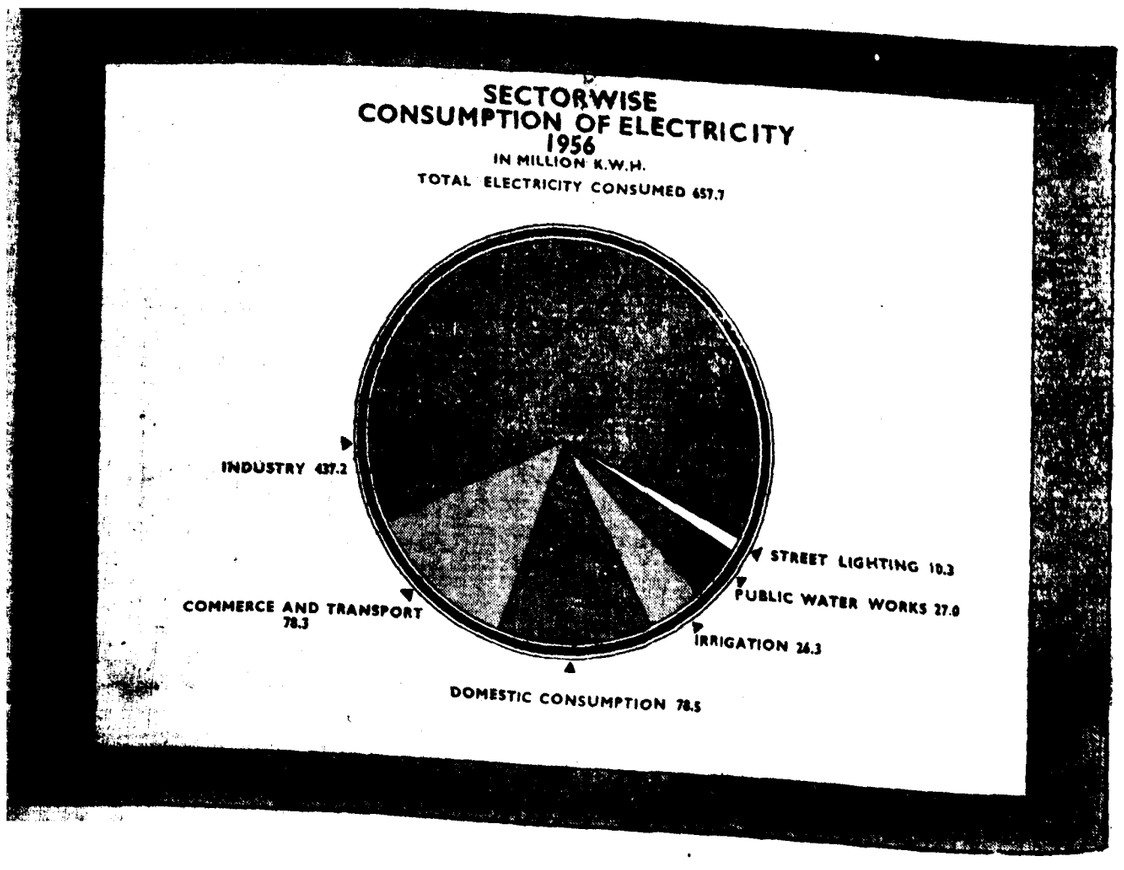
Economic and political stability is its absolute precondition. But political attitudes and government policies towards private enterprise are of much greater significance. Clamping of too many regulations and legal restrictions on the freedom of private enterprise, inconsistent with the risks and responsibilities it consciously bears, may operate as a disincentive to the private investor who is entitled to his own reasonable expectations of freedom of operation and has also a choice of different countries for export of capital. The Corporation is now engaged in preliminary negotiations for projects of co-operation and it is gratifying that India ranks among the countries whose proposals have been placed before it. The gap in India's foreign exchange requirements in the very first year of the second Plan has impressed upon her policy-makers the importance of foreign investment. The latest directives on imports on private account have underlined the significance of this assistance. It is a logical obligation which rests on the country, but more so on the Government, to adopt policies conducive to the flow of capital from abroad.

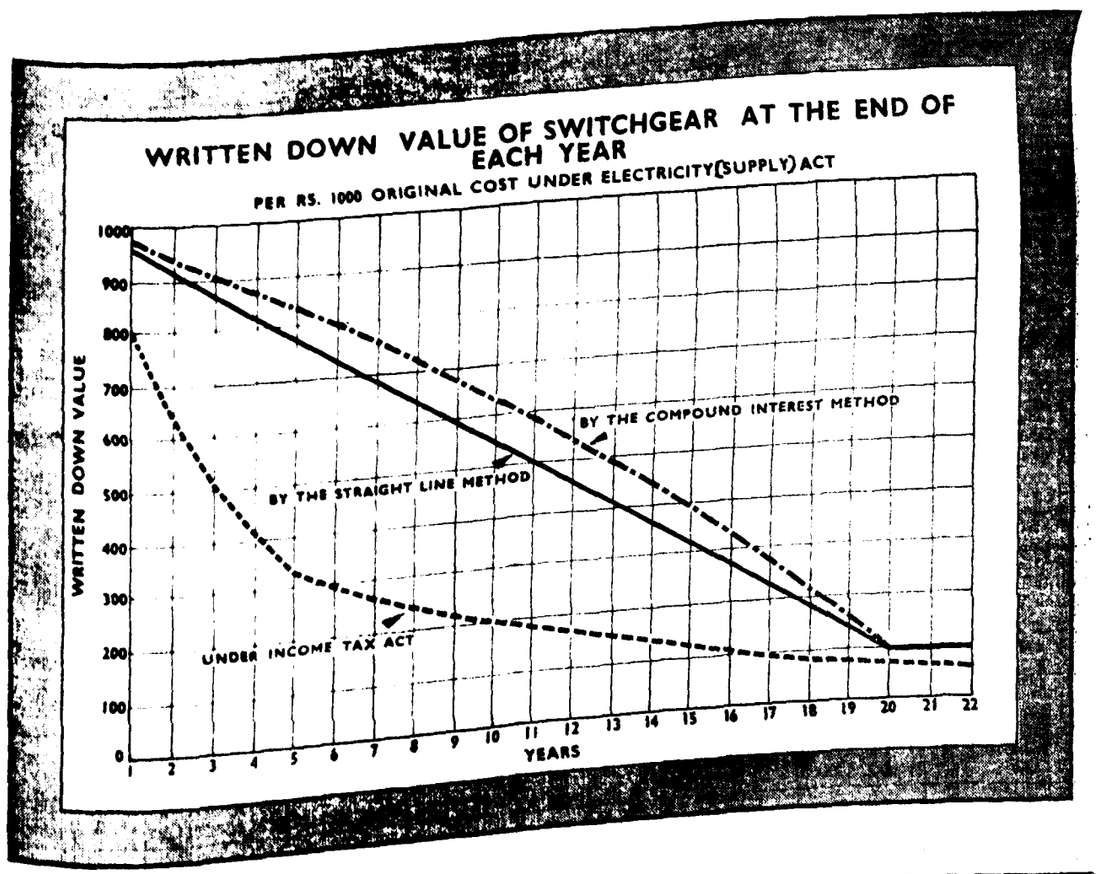
INTERNATIONAL FINANCE CORPORATION

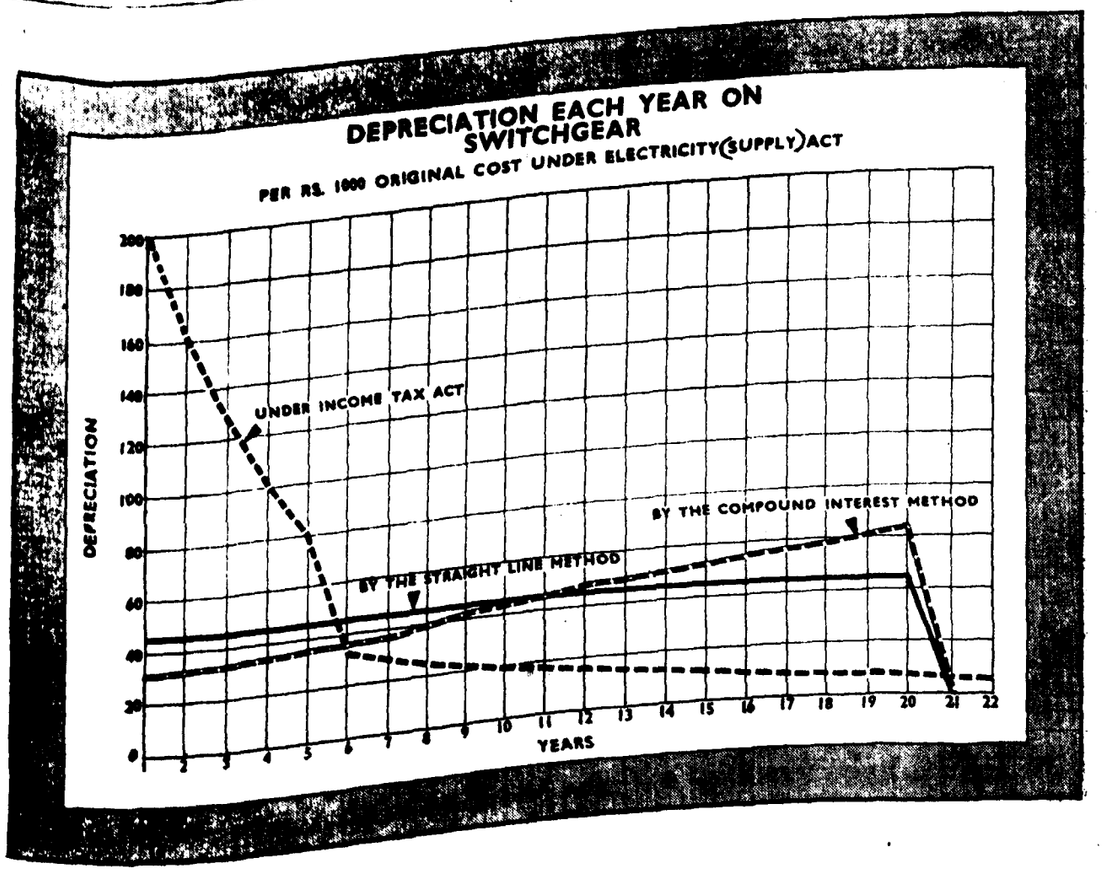
Subscription to capital stock

Country	In US $ '000	In Rs. '000	Percentage of the auth. Capital of $100 million
Australia ..	2,215	10,546	2.22
Bolivia ..	78	371	0.08
Canada ..	3,600	17,140	3.60
Ceylon ..	166	790	0.17
Colombia ..	388	1,847	0.39
Costa Rica ..	22	105	0.02
Denmark ..	753	3,585	0.75
Dominican Republic	22	105	0.02
Ecuador ..	35	167	0.04
Egypt ..	590	2,809	0.59
El Salvador ..	11	52	0.01
Ethiopia ..	33	157	0.03
Finland ..	421	2,004	0.42
France ..	5,815	27,685	5.82
Germany ..	3,655	17,401	3.66
Guatamala ..	22	105	0.02
Haiti ..	22	105	0.02
Honduras ..	11	52	0.01
Iceland ..	11	52	0.01
India ..	4,431	21,096	4.43
Japan ..	2,769	13,183	2.77
Jordan ..	33	157	0.03
Mexico ..	720	3,428	0.72
Nicaragua ..	9	43	0.01
Norway ..	554	2,638	0.55
Pakistan ..	1,108	5,275	1.11
Panama ..	2	10	0.00
Paraguay ..	16	76	0.02
Peru ..	194	924	0.19
Sweden ..	1,108	5,275	1.11
United Kingdom	14,400	68,558	14.40
United States ..	35,268	167,911	35.27
TOTAL ..	78,382	373,176	78.38


TARGET OF
ELECTRICITY PRODUCTION
IN MILLION K.W.H.
IN MILLION K.W.H.
2000
1800
1600
1400
1200
1000
800
600
400
200
0
1946
1948
1950
1952
1954
1956
1961


SECTORWISE
CONSUMPTION OF ELECTRICITY
1956
IN MILLION K.W.H.
TOTAL ELECTRICITY CONSUMED 657.7
INDUSTRY 437.2
COMMERCE AND TRANSPORT 78.3
DOMESTIC CONSUMPTION 78.5
IRRIGATION 26.3
PUBLIC WATER WORKS 27.0
STREET LIGHTING 10.3


WRITTEN DOWN VALUE OF SWITCHGEAR AT THE END OF EACH YEAR
PER RS. 1000 ORIGINAL COST UNDER ELECTRICITY(SUPPLY) ACT
WRITTEN DOWN VALUE
1000
900
800
700
600
500
400
300
200
100
0
BY THE COMPOUND INTEREST METHOD
BY THE STRAIGHT LINE METHOD
UNDER INCOME TAX ACT
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
YEARS


DEPRECIATION EACH YEAR ON SWITCHGEAR
PER RS. 1000 ORIGINAL COST UNDER ELECTRICITY(SUPPLY)ACT
DEPRECIATION
200
180
160
140
120
100
80
60
40
20
0
UNDER INCOME TAX ACT
BY THE COMPOUND INTEREST METHOD
BY THE STRAIGHT LINE METHOD
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
YEARS

INDEX NUMBER OF PROGRES OF ELECTRICITY SUPPLY.

Item	1939	1947	1951	1952	1953	1954	1955
Installed generating plant capacity:-							
Steam	100	142.1	203.0	217.5	257.7	275.5	286 0
Oil	100	112.5	187.4	196.2	207.7	241.5	240.3
Hydro	100	111.3	130.1	161.7	165.4	179.4	212.5
TOTAL	100	127.0	171.6	192.7	215.5	233.1	251.0
Kilowatt Hours Generated:-							
Steam	100	167 0	267.8	299.0	344.3	391.1	445.1
Oil	100	149.3	226.4	225.5	217.0	234.3	238.6
Hydro	100	167.8	218.7	214.0	222.8	247.5	286.2
TOTAL	100	166.8	239.9	260.6	274.2	308.0	351.8
Coal consumed	100	172.9	262.7	283.1	324.0	351.4	390.2
Fuel Oil consumed	100	145.8	201.1	195.3	192.7	294.9	207.7
Aggregated Maximum Demand ..	100	153.3	209.3	227.6	245.8	282.2	321.2
Kilowatt Hours sold							
Commercial light and small power ..	100	206.5	363.5	384.2	421.6	462.9	519.5
Industrial	100	239.2	378.0	383.8	454.6	506.9	586.5
Traction	100	162.4	225.5	236.7	266.5	301.0	346.8
Irrigation	100	128.9	153 4	151.1	166.8	176.0	187.7
Public Lighting	100	107.0	145.7	158.7	174.8	204.1	226.8
Water Works	100	164.2	206.2	214.2	234.2	262.3	277.5
TOTAL	100	165.0	235.6	246.0	275.1	7.4	349.5

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PROGRESS OF ELECTRICITY SUPPLY

Year	Installed capacity of generating plant at the end of the year				Aggregate of M.D. on individual systems during the year	kWh generated	kWh generated per kW of average capacity	kWh sold	Average load factor based on columns 6 and 7	Average demand factor Based on columns 5 and 6
	Steam	Diesel	Hydro	Total						
	kW	kW	kW	kW	kW	Million		Million	%	%
1939	540,760	86,790	442,169	1,069,719	575,801	2,442.415	2,283	2,034.636	48.42	53.8
1947	757,457	97,679	508,129	1,363,265	882,853	4,073.318	2,988	3,356.794	52.67	64.8
1950	768m394	107,019	515,554	1,410,966	965,780	4,575.466	3,243	3,721.464	51.08	68.4
1951	852,639	125,468	559,079	1,537,186	1,003,000	4,909.289	3,194	4,004.716	55.60	65.6
1952	1,004,434	148,796	559,285	1,712,515	1,096,314	5,106.700	2,981	4,156.657	53.08	64.1
1953	1,097,567	162,680	575,179	1,835,426	1,205,194	5,858.402	3,192	4,793,344	55.49	65.7
1954	1,176,317	170,259	715,179	2,061,755	1,310,651	6,120.347	2,969	5,005.682	53.31	63.6
1955	1,393,717	180,294	731,179	2,305,190	1,416,350	6,697.187	2,905	5,597.013	53.98	61.4
1956	1,591,044	209,607	792,346	2,493,996	1,625,123	7,521.777	3,016	6,252.501	52.84	65.2
1957	1,546,805	208,529	939,483	2,694,817	1,849,672	8,592.451	3,189	7,111.011	53.03	68.6

DATA OF PUBLIC ELECTRICITY SUPPLY UNDERTAKINGS

ABSTRACT

1953 Total	1953 Co.	1953 Mepl.	1953 Govt.		1954 Govt.	1954 Mepl.	1954 Co.	1954 Total
410	210	16	190	1. Generating Station:—	193	15	212	420
27	4	4	19	(a) Hydraulic	19	4	4	27
63	26	1	34	(b) Steam	35	..	30	65
320	173	11	137	(c) Oil	139	11	178	328
208	93	23	93	2. Purchasing Undertakings:—	90	26	96	209
97	47	19	31	(a) Hydro Power	31	19	50	100
113	46	4	62	(b) Thermal Power	29	4	46	109
385	303	39	283		283	38	308	629

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